Consolidated Statements of Income

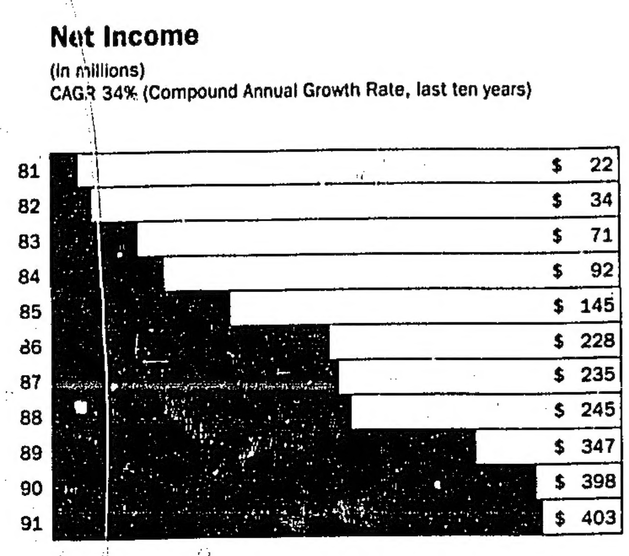
(thousands except per share amounts)

	1991	1990	1989
Net Sales	**$6,149,218**	$5,253,509	$4,647,916
Costs of Goods Sold, Occupancy, and Buying Costs	**4,355,675**	3,623,070	3,201,281
Gross Income	**1,793,543**	1,630,439	1,446,635
General, Administrative, and Store Operating Expenses	**1,080,843**	932,901	821,381
Operating Income	**712,700**	697,537	625,254
Interest Expense	**(63,927)**	(56,309)	(58,059)
Other Income, net	**11,529**	12,510	6,731
Income Before Income Taxes	**660,302**	653,438	573,926
Provision for Income Taxes	**257,000**	255,000	227,000
Net Income	**$ 403,302**	$ 398,438	$ 346,926
Net Income Per Share	**$ 1.11**	$ 1.10	$ .96

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Net Income

(In millions)
CAGR 34% (Compound Annual Growth Rate, last ten years)

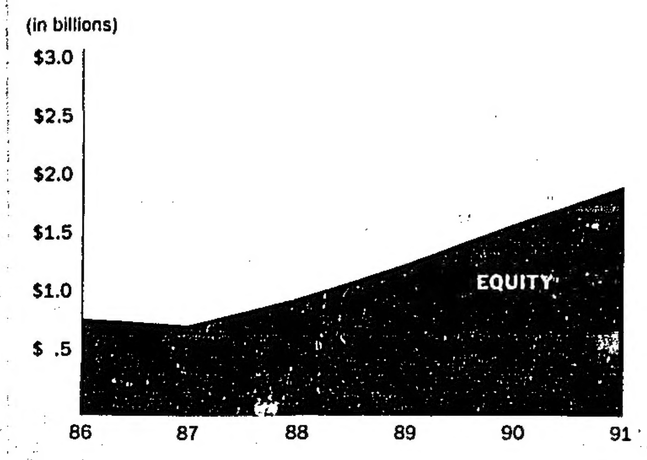




Consolidated Balance Sheets
(thousands)

Assets	Feb. 1, 1992	Feb. 2, 1991
Current Assets		
Cash and Equivalents	**$ 33,735**	$ 13,180
Accounts Receivable	**735,832**	670,296
Inventories	**730,050**	585,166
Other	**104,708**	96,319
Total Current Assets	**1,604,325**	1,364,961
Property and Equipment, net	**1,657,084**	1,395,073
Other Assets	**157,447**	111,844
Total Assets	**$3,418,856**	$2,871,878
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	**$ 199,756**	$ 200,078
Accrued Expenses	**265,267**	256,153
Income Taxes	**55,097**	24,726
Total Current Liabilities	**520,120**	480,957
Long-Term Debt	**713,758**	540,446
Deferred Income Taxes	**267,315**	254,304
Other Long-Term Liabilities	**40,871**	36,119
Shareholders' Equity		
Common Stock	**189,727**	189,727
Paid-In Capital	**100,929**	99,237
Retained Earnings	**1,783,027**	1,480,866
	2,073,683	1,769,830
Less Treasury Stock, at cost	**(196,891)**	(209,778)
Total Shareholders' Equity	**1,876,792**	1,560,052
Total Liabilities and Shareholders' Equity	**$3,418,856**	$2,871,878

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Consolidated Statements of Cash Flows

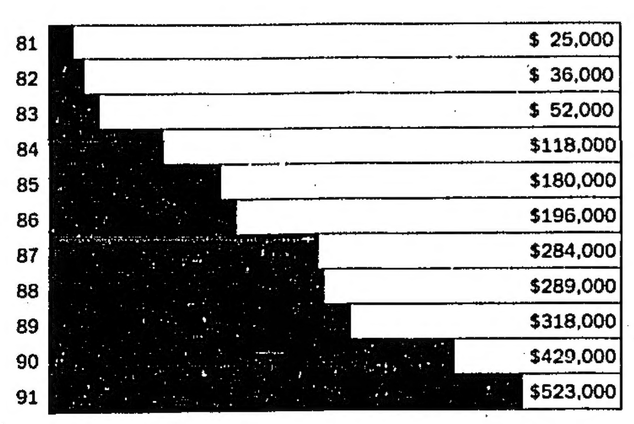
(thousands)

	1991	1990	1989
Cash Flows from Operating Activities			
Net Income	**$403,302**	$398,438	$346,926
Impact of Other Operating Activities on Cash Flows:			
Depreciation and Amortization	**222,695**	184,385	164,713
Change in Assets and Liabilities:			
Accounts Receivable	**(65,536)**	(73,791)	(65,742)
Inventories	**(144,884)**	(101,832)	(101,580)
Accounts Payable and Accrued Expenses	**8,792**	38,964	59,764
Income Taxes	**30,371**	(38,254)	(14,212)
Other Assets and Liabilities	**20,897**	16,561	14,370
Net Cash Provided by Operating Activities	**475,637**	424,471	404,239
Investing Activities			
Capital Expenditures	**(523,082)**	(428,844)	(318,427)
Subsidiaries (Acquired) Disposed	**(18,750)**	(10,987)	34,098
Other	**—**	(9,126)	11,505
Cash Used for Investing Activities	**(541,832)**	(448,957)	(272,824)
Financing Activities			
Net Borrowings (Repayments) of Long-Term Debt	**173,312**	(205,228)	(322,278)
Proceeds from Issuance of Unsecured Notes	**—**	300,000	250,000
Dividends Paid	**(101,141)**	(86,414)	(57,470)
Stock Options and Other	**14,579**	7,574	4,791
Net Cash Provided (Used) by Financing Activities	**86,750**	15,932	(124,957)
Net Increase (Decrease) in Cash and Equivalents	**20,555**	(8,554)	6,458
Cash and Equivalents, Beginning of Year	**13,180**	21,734	15,276
Cash and Equivalents, End of Year	**$ 33,735**	$ 13,180	$ 21,734

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Capital Investment

(in thousands)





Consolidated Statements of Shareholders' Equity

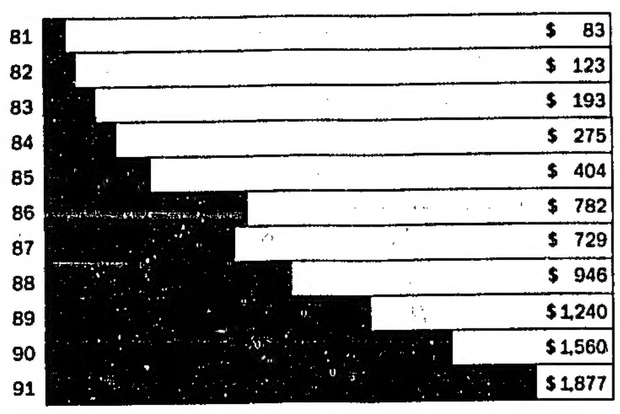
(thousands)

	Common Stock	
	Shares Outstanding	Par Value
Balance, January 28, 1989	**179,272**	**$ 94,863**
Net Income	—	—
Cash Dividends	—	—
Exercise of Stock Options & Other	571	—
Balance, February 3, 1990	**179,843**	**94,863**
Net Income	—	—
Cash Dividends	—	—
Exercise of Stock Options & Other	738	—
Two-for-One Stock Split	180,017	94,864
Balance, February 2, 1991	**360,598**	**189,727**
Net Income	—	—
Cash Dividends	—	—
Exercise of Stock Options & Other	1,188	—
Balance, February 1, 1992	**361,786**	**$189,727**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Shareholders' Equity

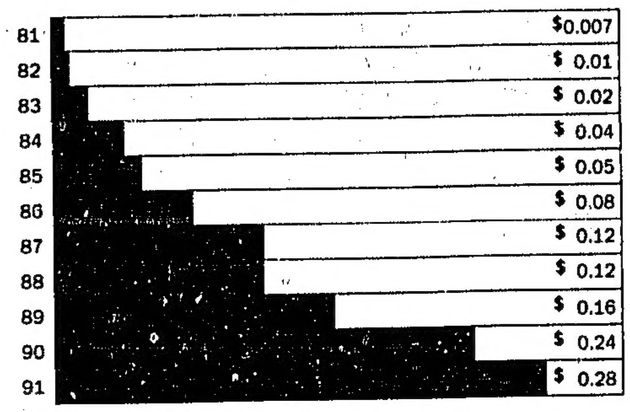
(in millions)
CAGR 37%



Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
$203,693	**$ 879,386**	**$(231,735)**	**$ 946,207**
—	346,926	—	346,926
—	(57,470)	—	(57,470)
(7,461)	—	12,252	4,791
196,232	**1,168,842**	**(219,483)**	**1,240,454**
—	398,438	—	398,438
—	(86,414)	—	(86,414)
(2,131)	—	9,705	7,574
(94,864)	—	—	—
99,237	**1,480,866**	**(209,778)**	**1,560,052**
—	403,302	—	403,302
—	(101,141)	—	(101,141)
1,692	—	12,887	14,579
$100,929	**$1,783,027**	**$(196,891)**	**$ 1,876,792**



Dividends Per Share



The Limited, Inc.

Askin[illegible] questions,

finding the rig[illegible],

and acting on them now

that's w[illegible] we know we're

1991 Annual Report

Financial Strength

Operating Results

(thousands except per share amounts)

	1991	1990	% Increase
Net Sales	$6,149,218	$5,253,509	17%
Operating Income	$ 712,700	$ 697,537	2%
Net Income	$ 403,302	$ 398,438	1%
Net Income as a Percentage of Sales	6.6%	7.6%	
Net Income Per Share	$ 1.11	$ 1.10	1%
Dividends Per Share	$ .28	$ .24	17%

Year End Position

(thousands except financial ratios)

Total Assets	$3,418,856	$2,871,878	19%
Working Capital	$1,084,205	$ 884,004	23%
Current Ratio	3.1	2.8	
Long-Term Debt	$ 713,758	$ 540,446	32%
Debt-to-Equity Ratio	38%	35%	
Shareholders' Equity	$1,876,792	$1,560,052	20%
Return on Average Shareholders' Equity	23%	28%	

Stores Open at End of Year

	1991	1990
Limited Stores	773	778
Lerner New York	910	858
Express	611	549
Lane Bryant	786	752
Victoria's Secret Stores	507	447
Structure	240	152
Limited Too	172	108
Abercrombie & Fitch	36	27
Henri Bendel	4	4
Cacique	54	51
Bath & Body Works	95	27
Penhaligon's	6	7
Total Number of Stores	4,194	3,760
Selling Square Feet (thousands)	20,355	17,008

Dear Partner:

We're on our way to being at least a $10 billion company, with an after-tax profit goal of 10%. But we'll only get there by constantly questioning our assumptions about the business, and by challenging ourselves to do better.

In fashion retailing, we're only as good as what we can deliver to the customer tomorrow; it doesn't matter what we did yesterday or even today. If we ever think we've got things really figured out, we will be steering our business away from our customers and right off a cliff. But when we're asking questions, finding answers, and acting on them — that's when we know we're thinking. And there's a good chance we're finding another way to be faster and smarter.

That's why, in preparing this year's annual report, we asked all of you, our partners, to send us questions about the business. We received over 10,000 questions — frank, insightful, sometimes a little jolting. Just what we wanted.

This annual report is *your* annual report, and its content has been determined by your questions. I am answering some of them, the leaders of our divisions are addressing others, and we will find still other ways of getting back to you about the questions that remain. Stated simply, we are partners. Your creativity, energy, and talent drive our business, and will continue to be crucial to us all in the future. We produce the results together, so you deserve to have every question answered.

How did the company do last year? Did we perform up to expectations?

— Eileen Rittenhouse, Columbus, Ohio

No, we didn't, and we were very disappointed. Overall, for the year, our sales in stores that have been open for at least a year were up 3%. And after-tax profits came to 6.6% of sales.

Compared to retail industry averages, our sales growth was adequate, and our profitability was good. By our own standards, just looking at the 7.6% we earned in 1990 and 1991's 9.7% in the fourth quarter — putting more than 8% of sales within our grasp

for the year — we clearly underachieved. And a poorly performing economy is no excuse, because excellent growth in several of our businesses showed that we can produce record results in good times and bad.

How has the recession affected our business? — *James Forslund, Schaumburg, Illinois*

Well there has to be some impact, when mall traffic is slow, and consumer spending and confidence are down. But at the end of the day, if fashion, quality, and value are right, our customers will continue to buy.

Just look at Express. Michael Weiss and his associates had an outstanding year, with more than $1 billion in sales, and leading all our businesses in operating income and profit margin. To give you an idea of how well Express did, if it were a stand-alone business, it would have been the retail industry's leader in profitability, growth, and productivity.

Similarly, Victoria's Secret Stores, in Grace Nichols' first year of leadership, achieved significant sales gains and an outstanding operating income rate.

The point is that, whether the recession ends tomorrow or next Fall, I expect sales and margin growth at Express and Victoria's Secret to continue. I expect similar improvements in all our businesses.

I keep reading about layoffs everywhere. Is my job safe? — *Jerry Maxwell, New York, New York*

In a word, yes. But your future depends on you.

Our sales and profits, and our need for good people, grow every week. We added 3.3 million selling square feet, 434 new and 246 remodeled stores, and 11,300 associates in 1991. This year we expect to add another 3.3 million selling square feet and more than 375 new stores, while increasing the number of associates by 15%. And just as important, we're keeping our debt manageable. Ken Gilman, our Chief Financial Officer, and his associates continue to make sure that our expansion, large and rapid as it may seem, is funded primarily by cash generated by our operations. We have tremendous financial stability and strength.

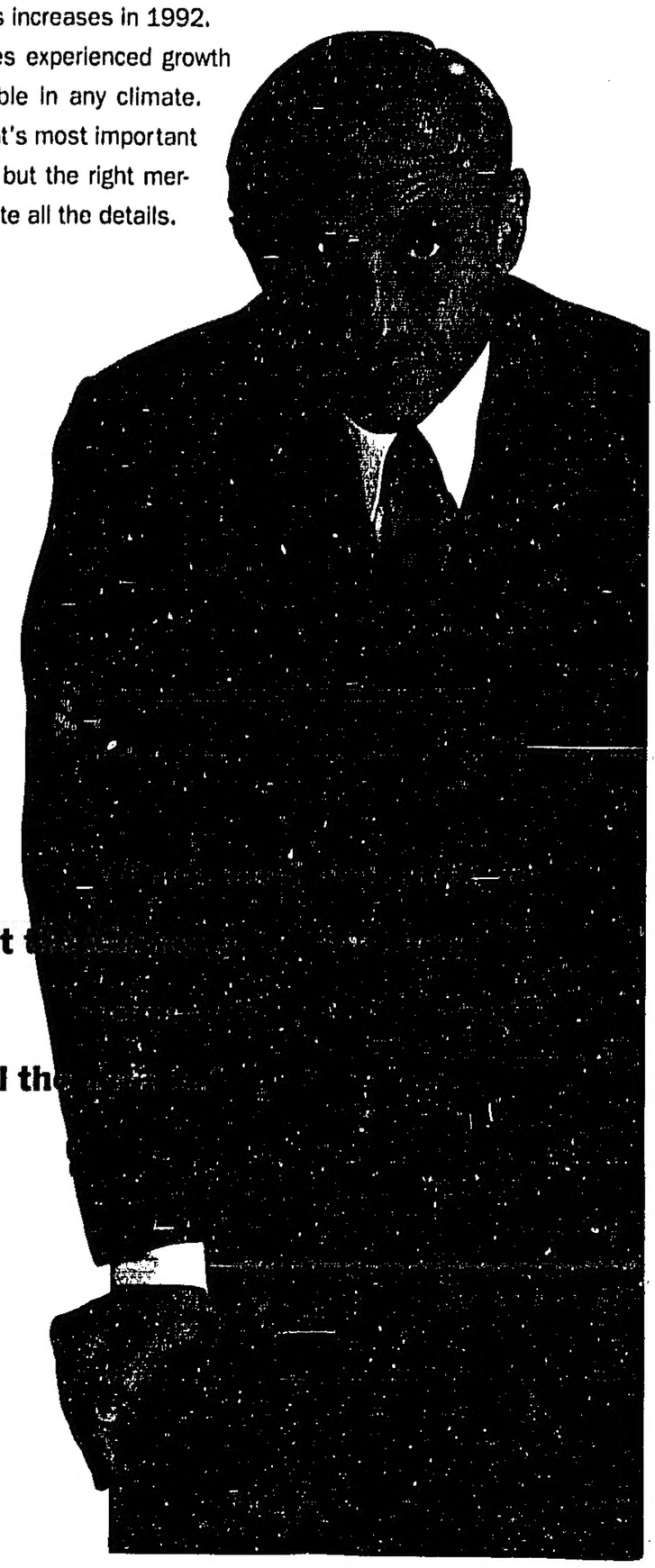
Our businesses are healthy, customer-focused, and financially sound. If we all do our jobs right, and do them right every day, then the business will continue to grow — and so will your opportunities. Your future depends on you.

Q How are our new businesses doing? — *Barry Coston, Columbus, Ohio*

It was a mixed bag, ranging from fair to impressive.

In particular, two of our new businesses grew dramatically. Structure, our new men's business led by David Mangini, recently appointed President, more than doubled its sales in 1991, and made a meaningful contribution to our profits. This year, we expect Structure to continue to post significant gains in sales and earnings. And our newest lingerie business, Cacique, had strong store-for-store gains in the Fall, promising still more sales and earnings increases in 1992.

These two young businesses experienced growth that would have been remarkable in any climate. They proved once again that what's most important for a retailer isn't the economy, but the right merchandise, and an ability to execute all the details.



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to execute all th

Should we be focusing on "basics" instead of fashion? — *Kathy Leitnick, Columbus, Ohio*

It's not an either/or situation. Our focus should stay on our mission as retailers: giving our customers what they want. Our job is to deliver fashion, value, and quality. When we do it right, we get paid for our work.

These are the real basics of the business. Sometimes focusing on them takes courage and determination, and hurts short-term results. At Limited Stores, Howard Gross and his associates had to handle several strategic issues this year: fashion direction, quality, simplified operations, the move to a single brand, and the introduction of career wear. We were frequently disappointed, but the hardest part is behind us. Next year at this time, I expect to be telling you that Limited Stores is performing again as an industry leader.

Why don't we have a centralized quality control function? — *Rich Riegler, Columbus, Ohio*

We're trying to do something much more ambitious than centralizing inspection: each division is learning to design quality into its products from the start, instead of catching mistakes when it's too late. I've made it clear to the presidents that I don't tolerate inferior merchandise.





But the buck doesn't just stop on a desk somewhere. Quality has to be important to everyone. Quality has to be a part of every associate's job, and of every associate's life, at every moment of every day. None of us can overlook poor stitching, mismatched dye jobs, or clothes that don't fit. It's a matter of taking pride in where we are, in what we do, and in helping our customers find what they want. It's also a matter of getting all the details right...the first time.

I've read your position on free trade. Don't you think we should buy more American? — *Douglas Hurlburt, Arlington, Virginia*

Absolutely. We will continue to pursue new opportunities in the U.S. aggressively. We are even planning a follow-up to our successful trade fair for American clothing and textile manufacturers.

But American consumers have the right to choose their favorite apparel at the best possible price. For us, the customer comes first. So if our customer wants a certain fabric, at the best quality level and the best value, and wants it now — then we'll go wherever we have to go to get it.

Why are we constantly changing our floorsets? — *Hilda Spradlin, Roanoke, Virginia*

Generally, to serve the customer better. Our customers tell us to do it. They show us every day what attracts, disappoints, or satisfies them. We have to fix what doesn't work, and emphasize what does.

I'd like to think there's great genius in what we do, but the real key is a drive to find better ways to give our customers what they want. Sometimes this means exploring new segments, such as lingerie and men's wear; sometimes it means doubling or tripling the size of our stores; sometimes it means changing the merchandise and the floorsets. These changes can make huge contributions to our business, as long as we also keep track of the fundamentals: fashion right, quality merchandise; good service; appealing prices; and good store location and design.

Given the current retail climate, is our $10 billion sales target still feasible?
— *Wallace Li, Hong Kong*



No question about it. The important thing isn't how big we get, but how good we become. And that's why we've set our goal as 10% in after-tax profits: it's a measurable way of making sure that we're growing, not just swelling. Quality comes first, and produces quantity.

It wouldn't be tragic if we fell short, and earned "only" 9½% on sales of $11 billion. But I'd rather see 10%. And even though no retailer our size has ever come close to that kind of profit, I believe we can do it.

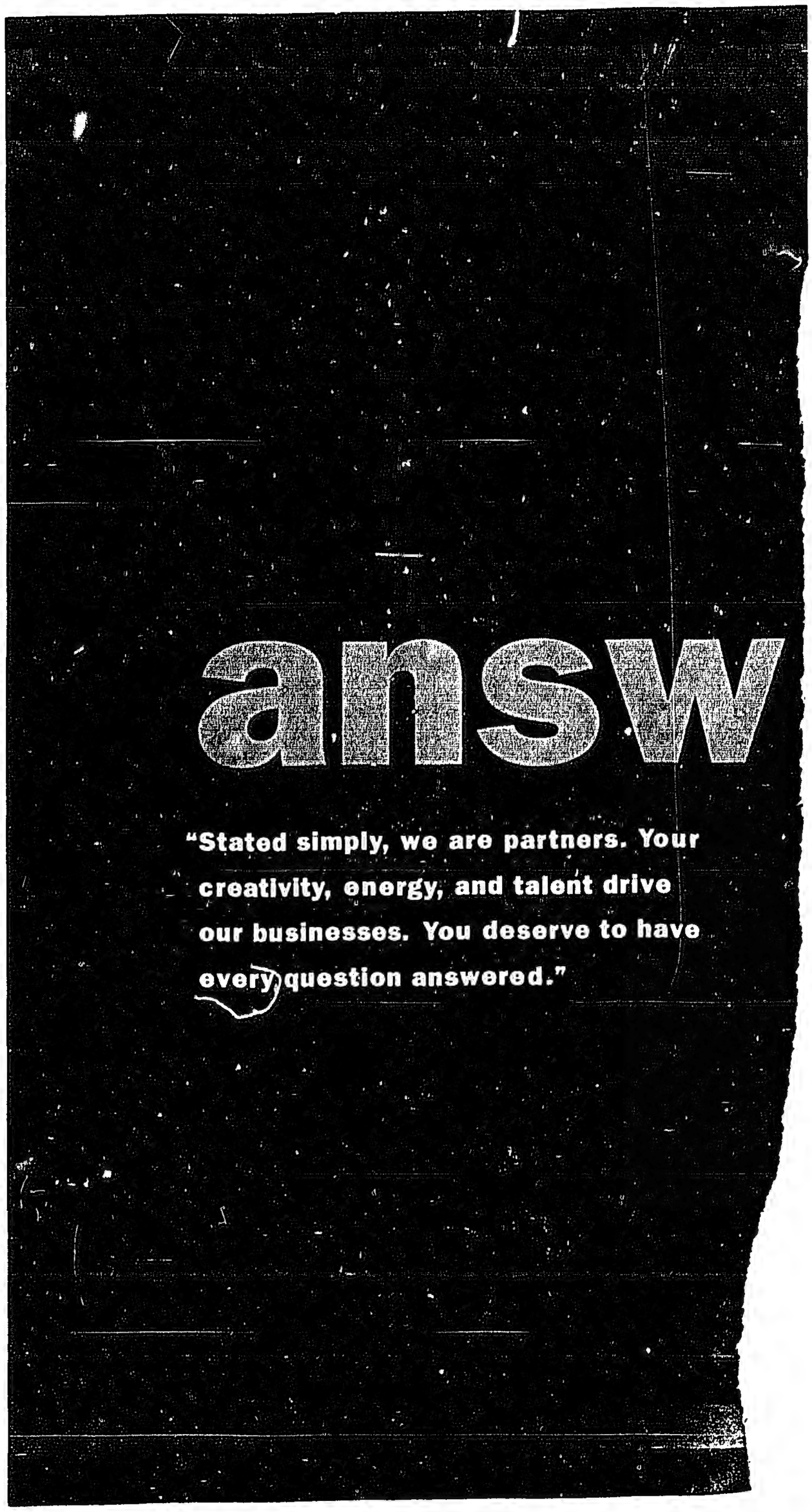
Last year's profitability growth at Express and Victoria's Secret Stores proves that $1 billion in earnings is more than possible. These results demonstrate the potential all our power businesses have, even in difficult economic times. And younger businesses like Structure and Cacique promise to become the power businesses of the future. When it all comes together, we won't be talking about $10 billion and 10%. We'll be aiming for $20 billion. And we might be able to do better than 10%, too.

Our financial base is secure, and our partners give us an important competitive edge. Our customers are increasingly interested in fashion, and that gives us new opportunities to satisfy them every day.

Our success depends on thinking right and acting fast — and questions are a good way to start. In the following pages, the division leaders and I will answer more of your questions.

We have the businesses, the leaders, and the associates to achieve our goals in the 1990's, and to set new standards for our industry.

Leslie H. Wexner
Chairman


answ
"Stated simply, we are partners. Your creativity, energy, and talent drive our businesses. You deserve to have every question answered."

Page		1991 Selling Sq. Ft.
8	Limited Stores	3,927,000
12	Lerner New York	6,515,000
16	Express	2,926,000
20	Lane Bryant	3,522,000
24	Victoria's Secret Stores	1,666,000
28	Victoria's Secret Catalogue	
32	Brylane Catalogues	
36	Structure	676,000

ers

38	Limited Too	514,000
40	Abercrombie & Fitch	287,000
42	Bath & Body Works	99,000
44	Cacique	127,000
46	Penhaligon's	3,000
48	Henri Bendel	93,000
50	Mast Industries	
52	Limited Store Planning	
54	Limited Real Estate	
56	Limited Credit Services	
58	Limited Distribution Services	




THE LIMITED.

Why don't we do more advertising? — *Wendy Glaser, Columbus, Ohio*

We experiment with advertising constantly, but we just cannot prove to ourselves that there's a legitimate payback from it. And until we can, we're going to put our time and money into our merchandise, stores, and displays. That's what brings the customer in and prompts her to buy.

Howard Gross
President

I think some of our buyers have a distorted idea of what women wear to work. Do you agree? — *Brett Fairbanks, Columbus, Ohio*



No, I believe our buyers have a very clear, correct view of what women wear to work. The fact is, most women don't wear suits and dresses to work—they wear sportswear, and that's our focus.

We're in the fashion business, first and foremost. It's not a matter of career versus non-career, but fashion. If our customer wants jeans on the fashion level, then we give her jeans. Some people may view this as changing in midstream; I don't.

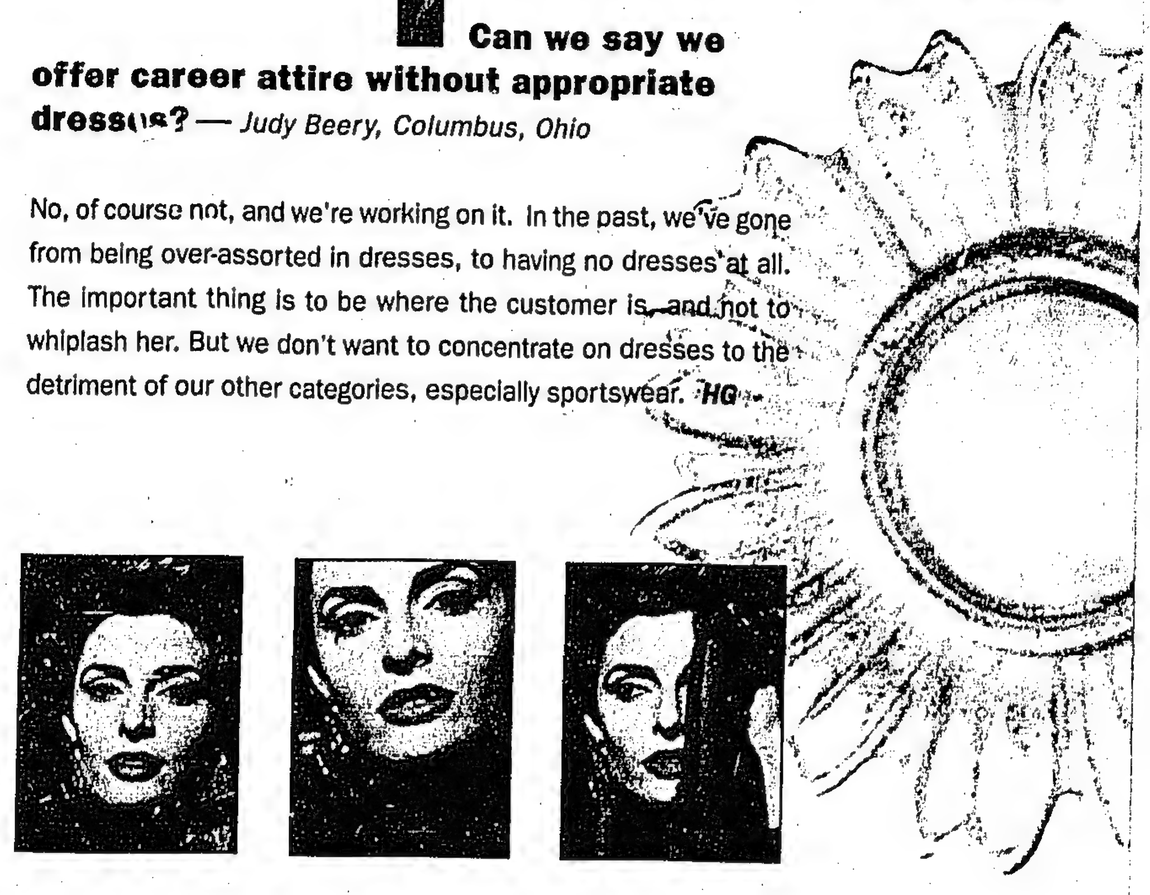
STYLE

THE LIMITED

Year Founded
1963
Selling Sq. Ft.
3,927,000
Number of Stores
—773

Can we say we offer career attire without appropriate dresses? — *Judy Beery, Columbus, Ohio*

No, of course not, and we're working on it. In the past, we've gone from being over-assorted in dresses, to having no dresses at all. The important thing is to be where the customer is, and not to whiplash her. But we don't want to concentrate on dresses to the detriment of our other categories, especially sportswear. ***HG***

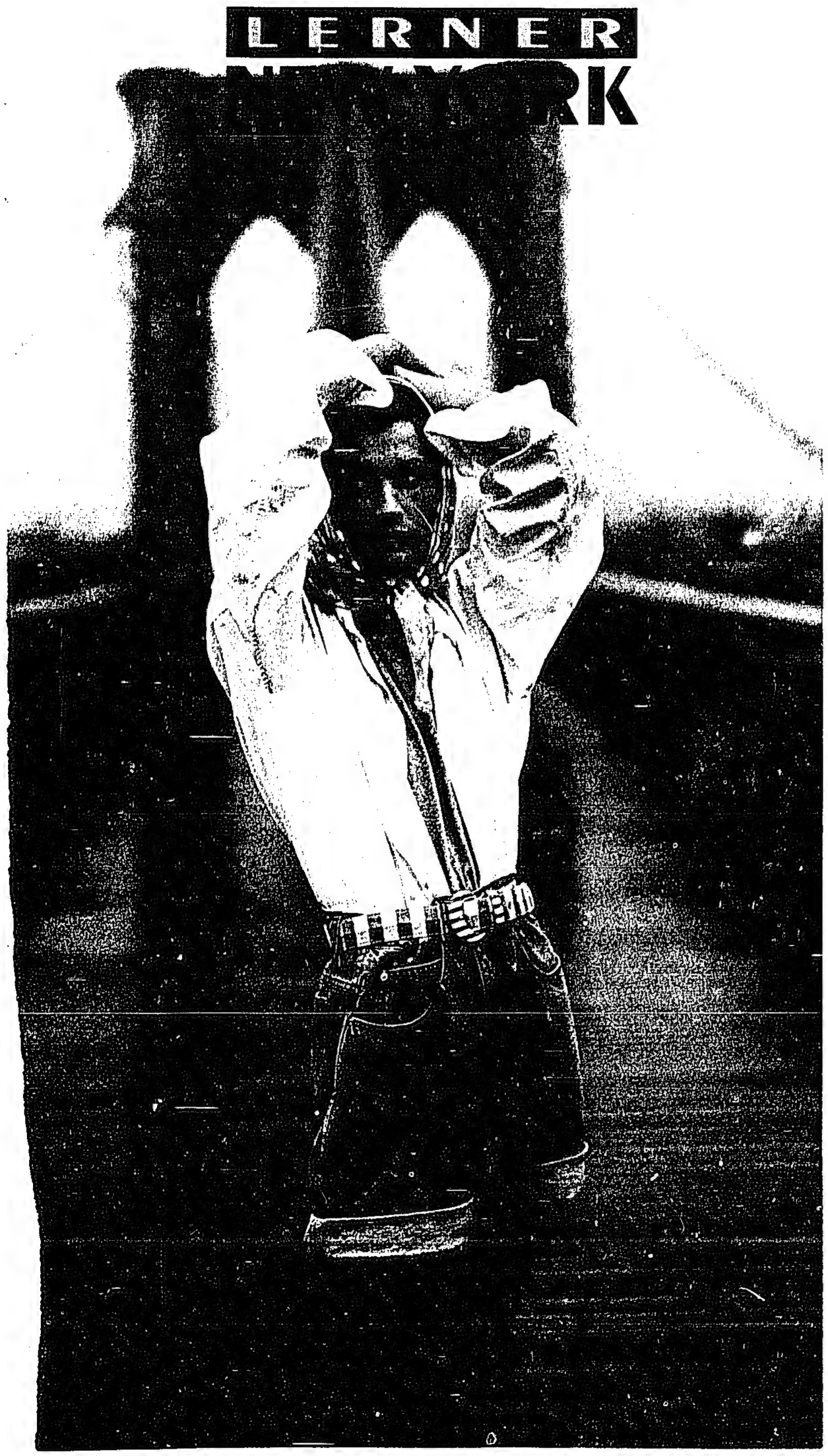


What type of person are we trying to get and keep as a customer?
— Missy Schroeder, Columbus, Ohio

Our customer isn't "this" age or "that" income. Our target is a mindset, not a set of demographics. Our customer is sportswear-oriented and fashion forward, but wants *enduring* fashion. She might not work outside the home, but she thinks like a career person.

Over the past year, we've worked hard to sharpen our focus on who our customer is. I don't know about you, but it's probably been the toughest year of my life. With hindsight, though, it will also have been one of the best years, because we got back to our customer and what she wants. What we learned in 1991 will give us a very bright future. ***HG***


END


LERNER

Why did we discontinue selling lingerie and legwear?
— *Tamara Crowley, Syracuse, New York*

We had to get back to what specialty stores are all about; the more things you're trying to do, the less impact you have. We need to focus on the categories we can virtually dominate in our retail segment. Just take a look around; it's difficult to out-acre a department store in lingerie and legwear. So we are devoting our space and resources to our core apparel businesses.

Barry Aved
President





Why continue to open new stores in a weak economy? — *Randy Present, Brooklyn, New York*

I'd like to be able to say we're opening more stores because we're doing great despite the current economy. That's not entirely true — yet.

What I can say is that we operate on a longer time horizon, and that the stores we've opened in the last two years meet our profit and return on asset goals. In any event, a business that's looking to the future can't just go by the latest two weeks or month. In real estate, there are moving parts that fall into place, and you have to be ready to act on opportunities if you're going to accomplish your long-term objectives. So we are going to continue to open stores that will meet or exceed our expansion and return on investment criteria. ***BA***

Who is our target customer? — *Larry Minei, Freeport, New York*

She's young, married, probably in a two-income family. She feels that value is important, but she doesn't think of herself as a budget customer; her sights are higher. Our prices don't have to be rock-bottom, as long as they represent good value.

She's interested in the outdoors, and has a healthy lifestyle. She likes fashion, and she's savvy about it, but she doesn't want fads. She wants to put together neat-looking, but non-controversial, casual sportswear, and that's really what we're giving her. ***BA***

Year Founded
1918
Selling Sq. Ft.
6,515,000
Number of Stores
910

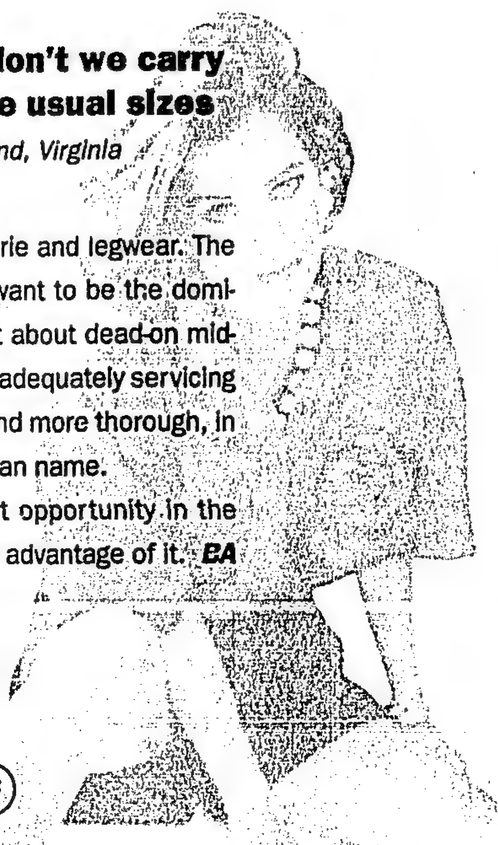




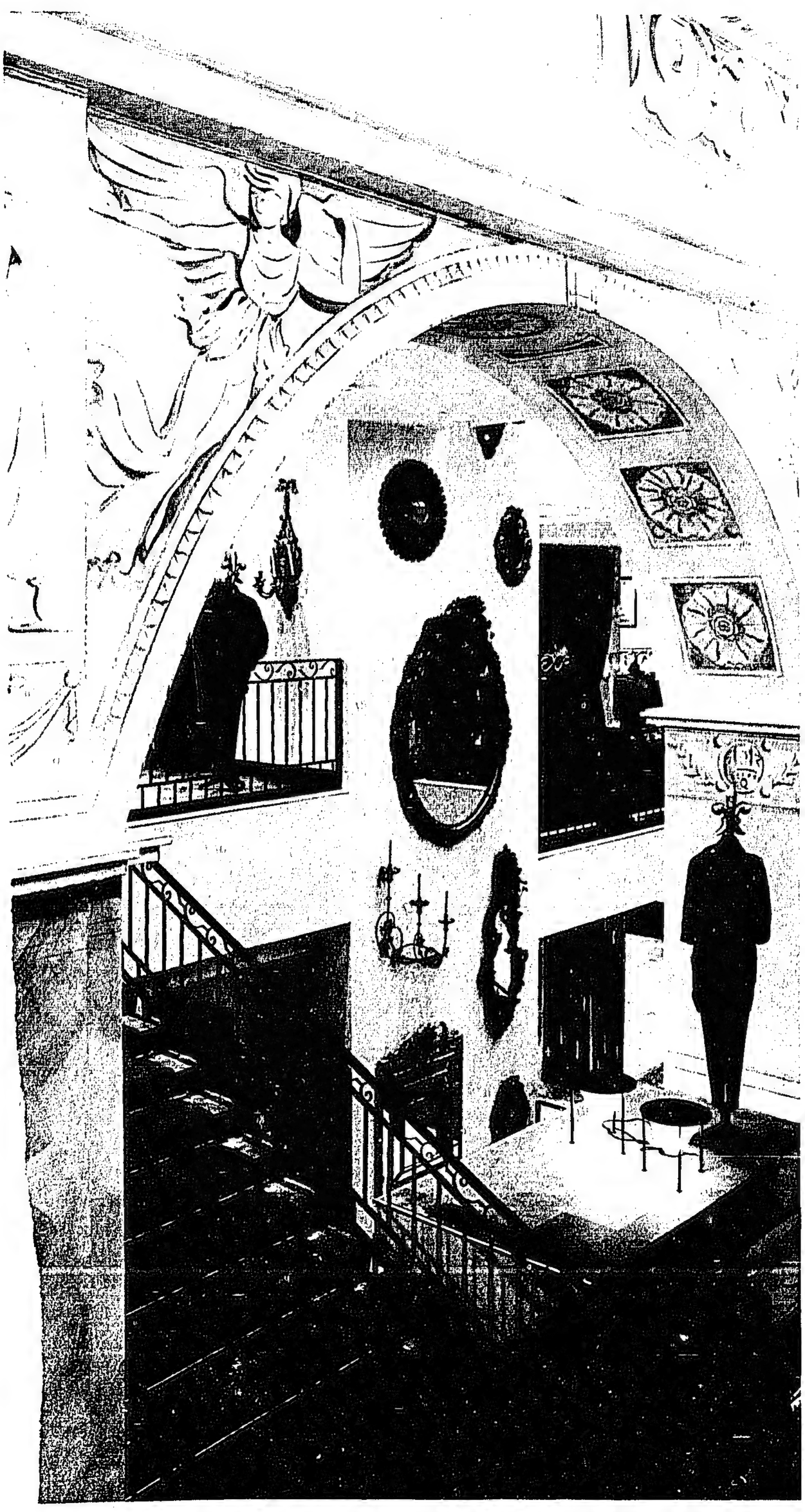
Why don't we carry sizes smaller and larger than the usual sizes 6 through 14? — *Vivian Brown, Richmond, Virginia*

It's the same focus issue as editing out lingerie and legwear. The question is where do you draw the line. We want to be the dominant force in a major market segment — just about dead-on middle. Nobody with a specialty store mentality is adequately servicing the middle of the market. We can be better, and more thorough, in this segment than any specialty retailer you can name.

Lerner New York represents the biggest opportunity in the retail industry today. All we have to do is take advantage of it. ***BA***




Compagnie Internationale
EXPRESS
4, Avenue de l'Opéra 75001 PARIS
EXP



Where do you envision Express will be in the next five years? — *Charles B. Russell, Galena, Ohio*

Almost double where it is today. In profitability, we will be the number one sportswear brand in the country, because we will be in the forefront in the field of high-volume fashion.

But there's no five-year program in terms of what we'll be selling, because what drives our growth is fashion. We have a six-month window on each new season. Our merchandising mix just follows what we perceive the customer wants. It's not as though we keep getting it right, either. What we're good at is exploiting something when we see that it's working.

Michael A. Weiss
President





What do you look for in a store? — *Scott Grudberg, New York, New York*

Whether it's one of our stores, or a competitor's store, I look at what they're trying to sell. What's in the window, what's up front, what's in the highest-traffic areas? Then I want to see whether they're doing it well—whether they're using the right adjacencies to build stories around the key items, so they can do multiple sales. ***MW***

Why don't Express associates work under commission?

— Matthew Anderson, Baltimore, Maryland

The major reason is that we're asking you to do more than sell. If the accent were on commissions, nothing else would get done. All those millions of operational details that are so important in the proper running of the store, like checking in merchandise, taking markdowns — no one would want to do them, and we'd have dissension in the store.

But another reason is that we don't see commissions as the primary objective for most people. I've interviewed people who want to get away from commission jobs; commissions just aren't the be-all and the end-all. What people really want is job satisfaction and a *great place to work.*





So then the question is, how do we give you that? From the thousands of questions we received from Express associates, I'd say there's a high level of interest in the business. The way we feed and satisfy that interest is by continuing to be a vital, growing business, offering plenty of room for personal advancement.

People will continue to move up quickly here. We've grown a lot in the past ten years, but we expect to grow even faster in the next ten. Our $1 billion of sales isn't even a measurable market share. We have acres and acres of ground to plow. ***MW***

Year Founded
1980
Selling Sq. Ft.
2,926,000
Number of Stores
611




LANE BRYANT

How does a size-driven business have a strong point of view and still appeal to a substantial market? — *Paul Badger, Braintree, Massachusetts*

We are not a size-driven business — we are a fashion-driven business. And our focus on fashion is precisely what enables us to appeal to a broad market.

People want to walk into our store and know that we have what they want. They want to know that we understand them, the way they live, what they like, how they want to dress, and how they like to see themselves. When we present tight, focused assortments, our customers can see immediately that we understand them, and that we understand fashion. And *that* appeals to a substantial market — whatever the size.

Cheryl Nido Turpin
President







Year Founded
1900
Selling Sq. Ft.
3,522,000
Number of Stores
786

To what degree does a store buyer's own size influence purchases for the business?
— *Richard Martin, Oak Brook, Illinois*

Size influences nothing at Lane Bryant. Our buyers are, however, influenced by what our customer tells us and by what is happening in both the fashion world and the world in general. We must have what she wants, when she wants it. ***CNT***

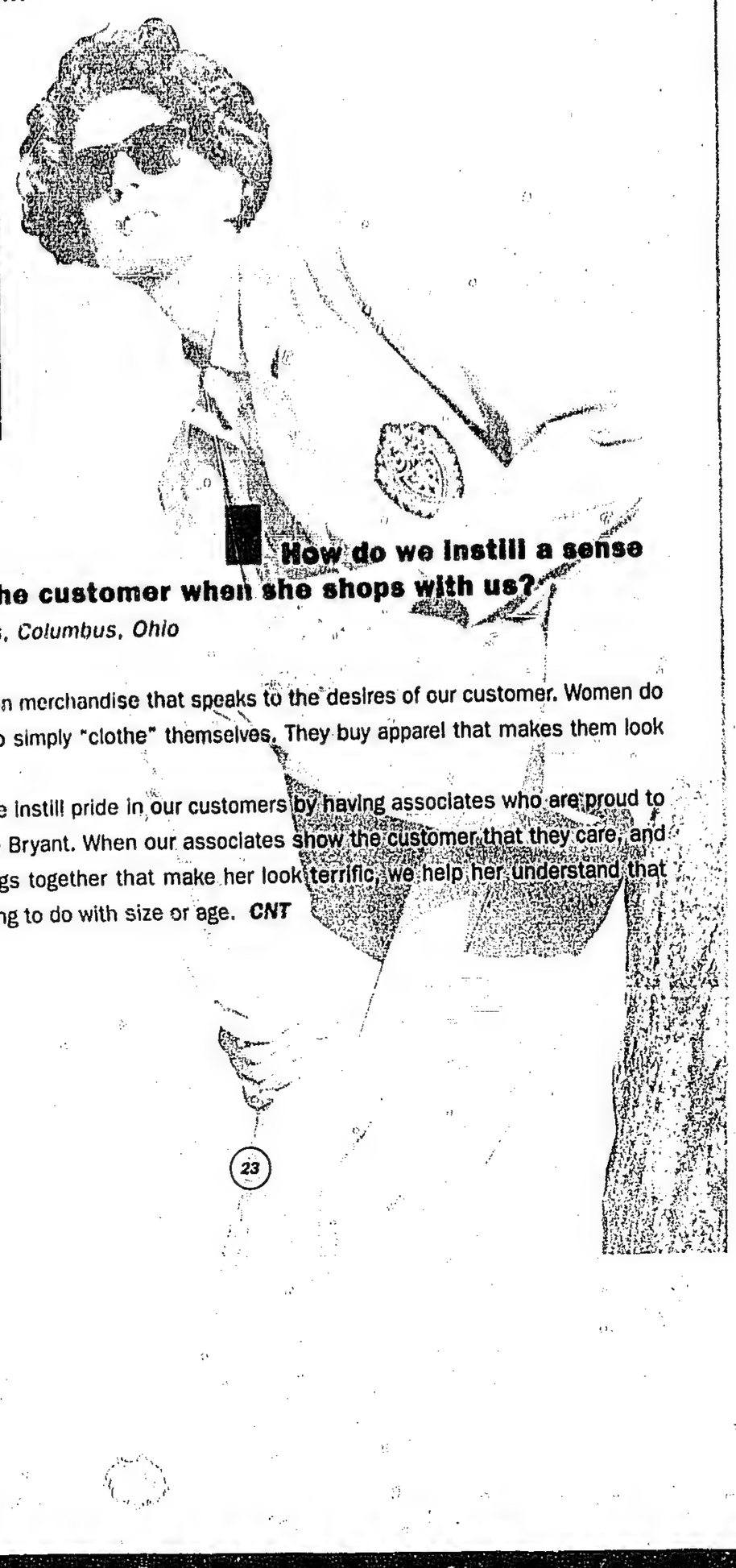
How do we better convey our new Lane Bryant identity to our customers?

— Jenny Smith, Columbus, Ohio

We're constantly improving our store design. When a customer walks into one of our locations, the design of that store has to reflect her aspirations — it should make her feel wonderful and convey the message that we understand what she wants.

Also, we're rolling out to all of our stores a great new in-store marketing package that speaks to our customers' ideals. It features photographs of active, involved, and beautiful women. Women with children, women shopping — women who are important to other people. ***CNT***



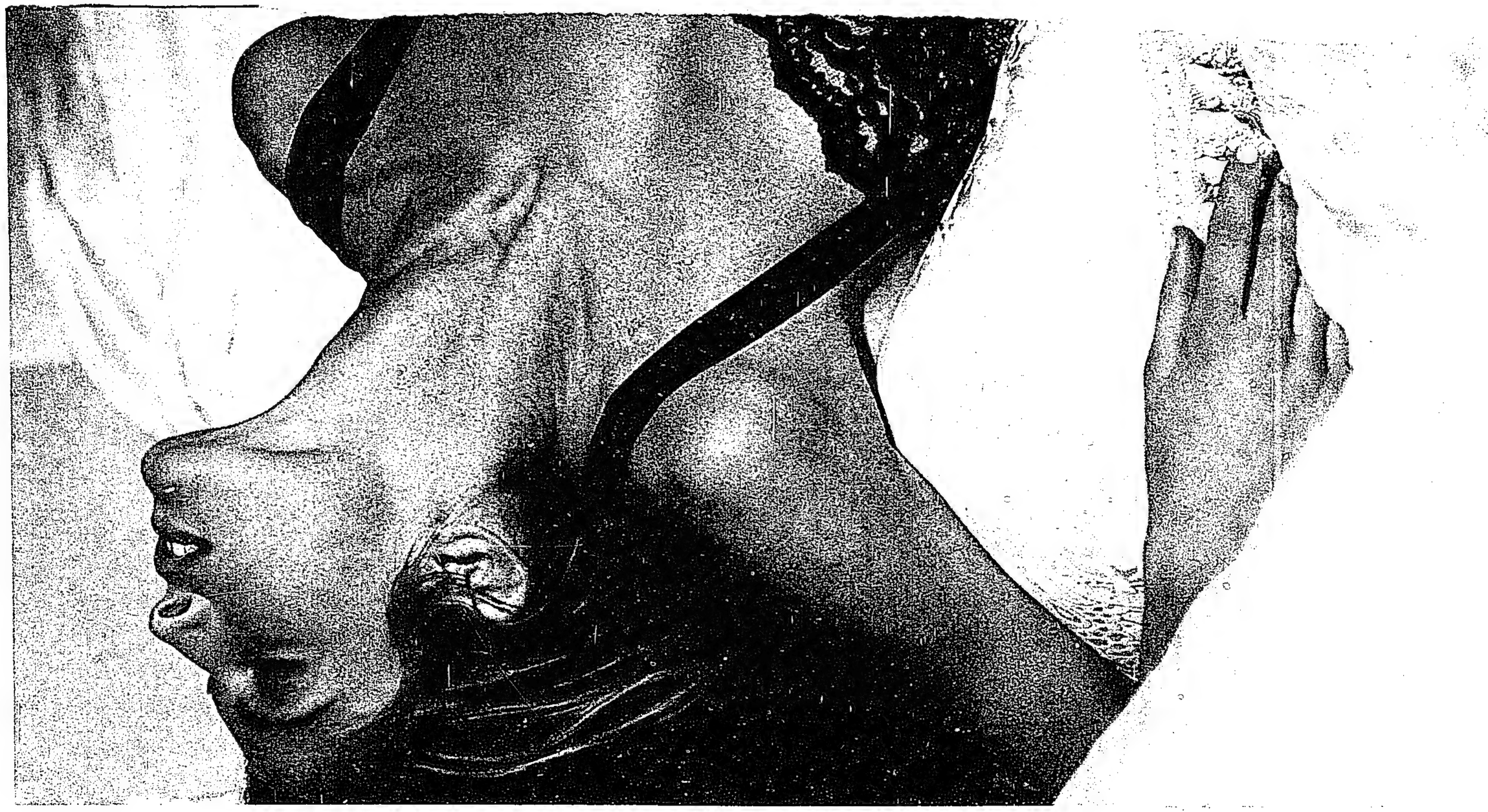


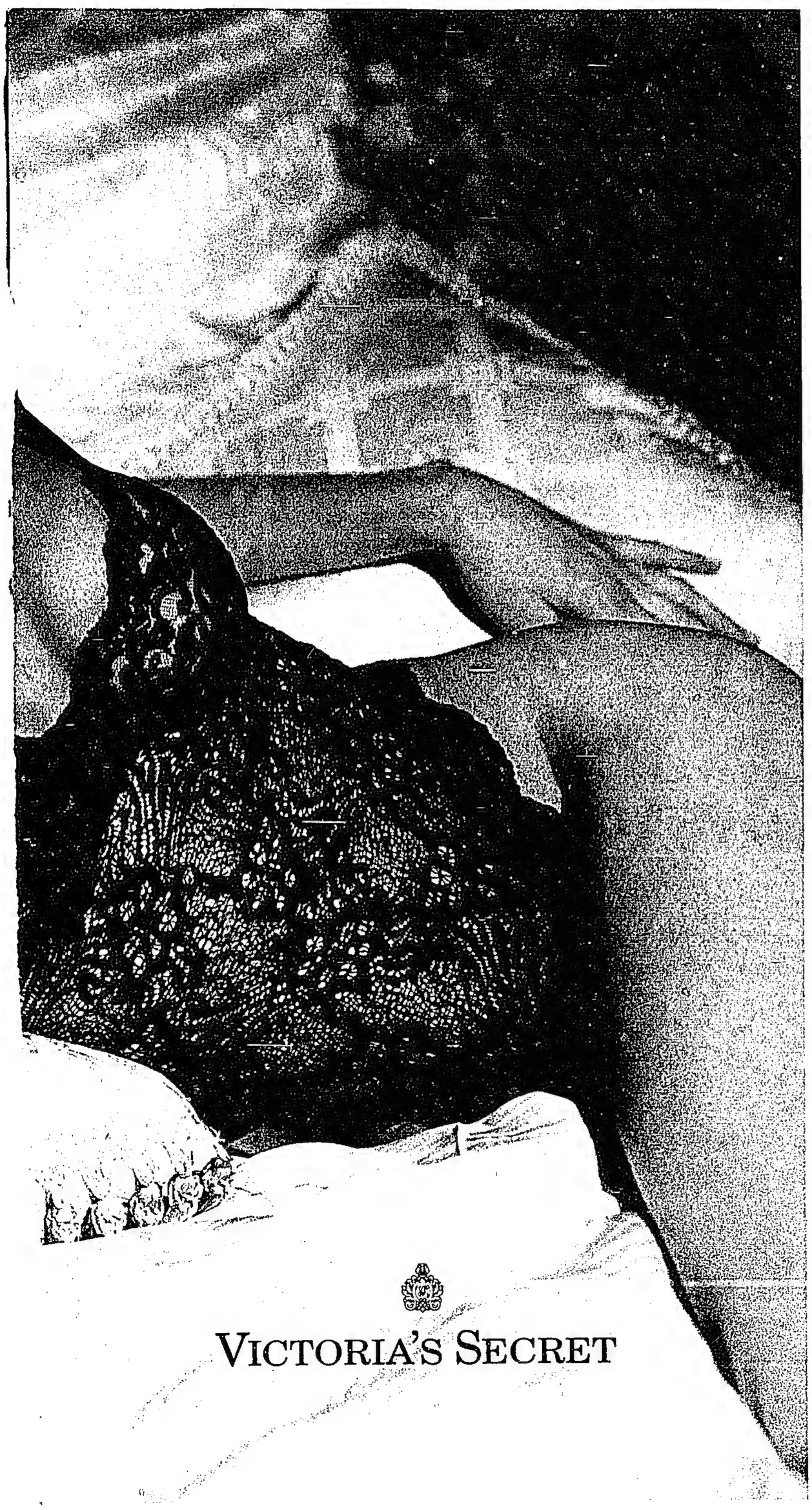
How do we instill a sense of pride in the customer when she shops with us?

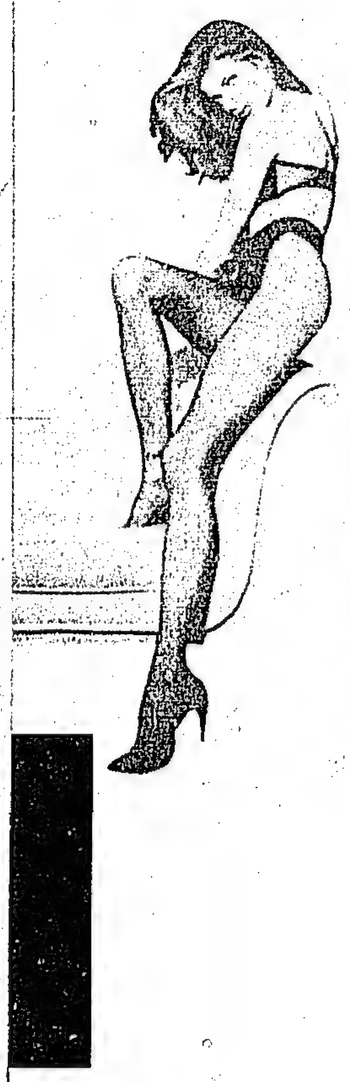
— Link McGinnis, Columbus, Ohio

We look for fashion merchandise that speaks to the desires of our customer. Women do not buy apparel to simply "clothe" themselves. They buy apparel that makes them look and feel great.

Ultimately, we instill pride in our customers by having associates who are proud to be a part of Lane Bryant. When our associates show the customer that they care, and help her put things together that make her look terrific, we help her understand that beauty has nothing to do with size or age. ***CNT***




VICTORIA'S SECRET



What are our views on over-saturating the market with our expansion? — *Jill Bugbee, Los Angeles, California*

Even though Victoria's Secret Stores has a high profile and good name recognition, we're not even close to saturating the market.

We're a young business, and there's no category we really dominate in the way you'd think a national brand would. In England, for instance, one company has about half the lingerie market. In the U.S., we are at a fraction of that. We've got plenty of room for growth.

Year Founded
1977
Selling Sq. Ft.
1,666,000
Number of Stores
507

Grace Nichols
President



How do we plan to maintain our dominance in the lingerie apparel industry? — *Marie Hanson, Livonia, Michigan*

No, no, no! We're not trying to hang onto a strong position — we're still busy growing from a relatively small base. And we're doing it both by expanding the overall market for lingerie through our merchandising, and by taking business away from competitors.

We're focusing on our *own* power businesses, our key, must-win categories such as fashion sleepwear and bras and panties. This is where we appeal to our customer's sense of whimsy, and where we help her feel beautiful from the inside out. It goes back to that basic difference between underwear and lingerie. Women need underwear, but women *want* lingerie. ***GN***

How do you feel we can breathe new life into the "putting the customer first" part of our business? — *Cheryl Munro, Fairfax, Virginia*

From my perspective, I've simply got to get the message across that the customer, and selling, come first. That's why our new associate review forms put more emphasis on sales and service. Because if you've got 29,000 things to do, you'd better know what Job One is.

From the questions we've gotten, I get the sense that people think we might start to slow down. This is still a young, dynamic business where aggressive, entrepreneurial people can build incredible careers. And if you feel that, and believe it, you'll be putting the customer first. Because it's the customer who will keep us growing. ***GN***





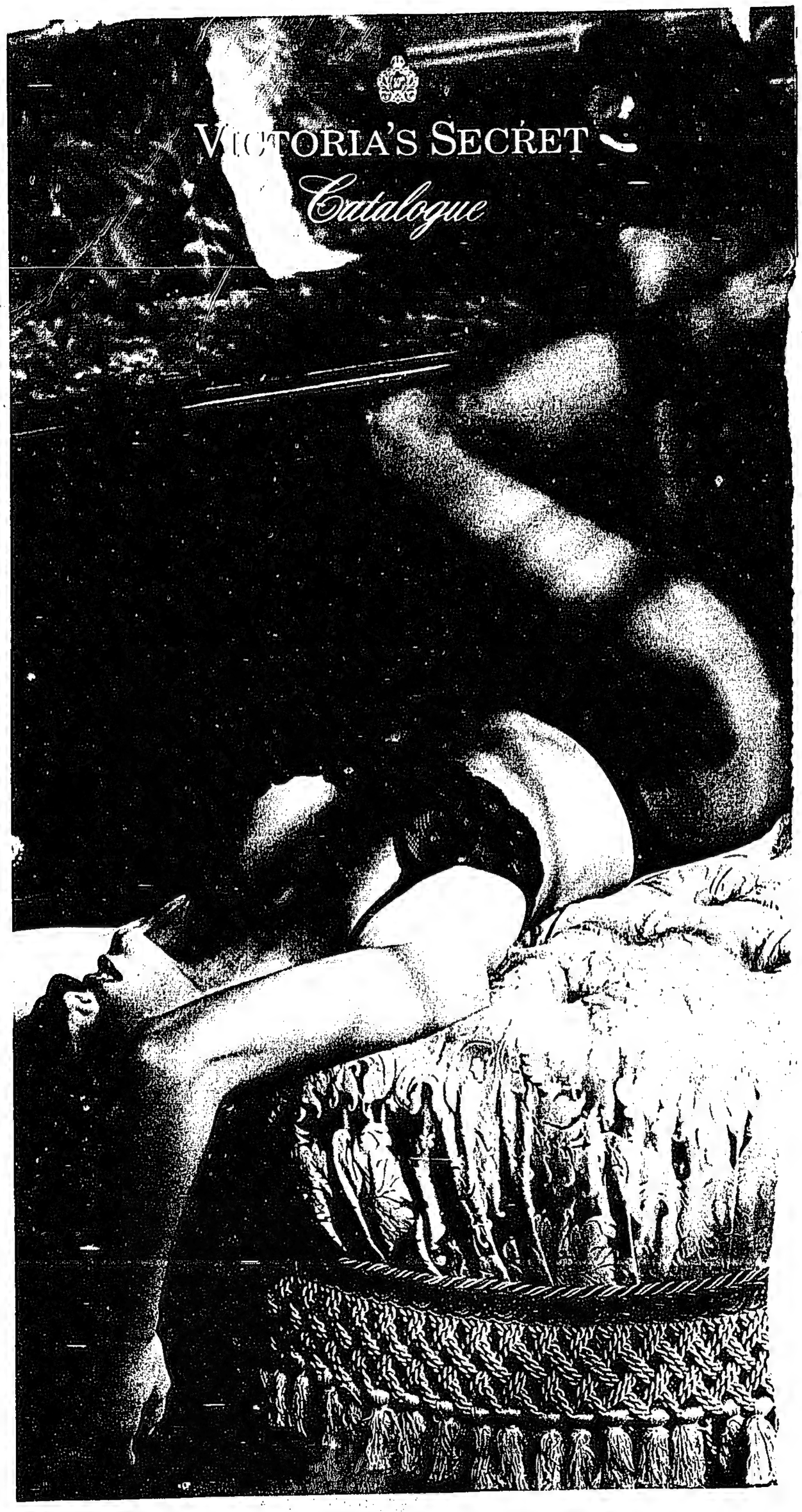


Do you have any type of Total Quality Improvement Program? — *Ofelia Aranibar, Boca Raton, Florida*

It's more a matter of awareness than a formal program. I think we're as good as any retailer at monitoring quality. Our products already measure up to anything else out there in the marketplace. But it's critical to be far better than everyone else. That's the goal.

We're still "young" at holding manufacturers responsible; it's just an aspect of the quality issue that we aren't really used to as retailers. We have to think like a brand, not a store — we have to be the conscience of the brand. That means standardizing fits and patterns, limiting our number of factories, and above all becoming more technically literate. We intend to build quality into every garment we sell. ***GN***




VICTORIA'S SECRET
Catalogue



How large does our business have the potential to be?
— Gretchen Zuiderweg, Columbus, Ohio

I want you to know my dream. This will be the first catalogue business in the country, and maybe the world, to reach $1 billion in net sales, under a single title, with operating income at a double-digit level. It's ambitious, and nobody's done it before. But if there's any group of people who can do it, it's you.

Cynthia Fedus
President



What are the plans to improve the quality of merchandise? *— Liz Cox, Columbus, Ohio*

We started a wide-ranging quality assurance program in November, based on the philosophy that quality can't be inspected into a garment; it has to be manufactured in. It starts months before a book is ever mailed — in the specifications to suppliers, in the choice of suppliers, and in the systems to track our suppliers. We *will* improve our quality. ***CF***

Year Founded
1977

At the last quarterly briefing, you reported that our profits were down, but our sales were up. Is there any concern that expenses are too high? *— Jim Rohal, Columbus, Ohio*

Profits didn't decline due to inadequate expense control. Trust me. I always said that we should reach more people, and mail more and bigger books, until we reached a point of saturation. That was the plan—to push, and to find the limit. And we did.

Our problems last year came from rapid growth. This year, we're deliberately cutting our number of mailings, and the books will go to a more targeted group of customers. We'll have the time and energy to attack our two biggest enemies—back orders and poor quality. Even though we anticipate *flat* sales this year, we expect to see profits *rise*. It's an amazing target, but we can do it. ***CF***





Are there plans to ensure that stock will be in, rather than discontinued or on back order?
— Sally Chacey, Columbus, Ohio

Yes. Our discontinued and back order rates have been about average; given our growth targets, that's not good enough. We've recently put systems and procedures in place to make sure they get better. If we don't improve, even if our procedures are being followed, then we'll start over again. Whatever it takes, the rates will get better. ***CF***


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YOUR FIRST CHOICE FOR FASHION SIZE 14 & UP



Are our customers receiving too many catalogues each season? — *Willie Mae Turner-Wells, New York, New York*

We think so, and we're doing tests and studies to quantify it. Because we're not really sure if they're receiving too many books, or too many of the same kind of books. But printing and mailing costs keep going up, so we've got to make our books more productive. This is why we're targeting our mailings more selectively, and adding four or eight pages of new merchandise for the front and back of each remail edition.

Peter J. Canzone
President







Do our new formats mean that we're looking for consumers with greater buying power? — *Karyn L. Wynne, Indianapolis, Indiana*

We've got two objectives. First, we want our current customers to buy more. But second, we have to widen our appeal to bring in new, younger customers with more disposable income. With improved paper, better models, natural shots outside the studio, and more dramatic layouts, our new formats seem to be helping us on both counts. In early tests, the new formats significantly outsold the older ones. ***PJC***

Year Founded

1922

Do you think our three catalogues should have a more consistent look?
— Elizabeth Dunn, New York, New York

They once did share an overall look. We decided to split up the books for each business and let them develop on their own. We now have three different looks, circulation strategies, investment patterns, and operating results.

Now it's a lot easier to see what's working for Roaman's, for instance, or what's not working for Lane Bryant Direct. Decentralization helps us experiment in each of our businesses. We expect to learn a lot over the next few seasons. ***PJC***





People seem to be looking for comfort and versatility in their clothing today. Should we promote these qualities throughout our catalogues, where appropriate? *— Kevin Doyle, New York, New York*

You're absolutely right; we should emphasize versatility and comfort more. These are already key features in much of our merchandise, such as Lane Bryant Direct's Lasting Comfort line. You see this everywhere in fashion these days, whether it's in the tunic tops Express sells, or in the comfort shoes we offer. People want to look good, but they also want to be practical. ***PJC***

When will Structure reach the $1 billion mark?

— Jim McGinty, Columbus, Ohio

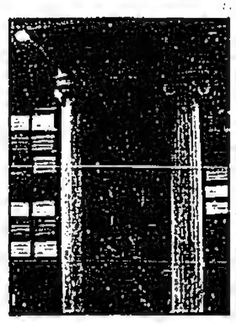
It would be great to say 1996. Really, though, Structure has no place to go but up. We are the fastest growing major chain in the country, and it looks as if we have the opportunity to become a $1 billion company in fewer years than it took Express. We could beat all industry records.

We've already been growing so fast that we're like a child who wakes up one morning, ten years older. Now our maturity level has to catch up with our growth. That's our real challenge: we have to use our knowledge, plan for pitfalls, and keep growing.

David Mangini
President

Year Founded
1987
Selling Sq. Ft.
676,000
Number of Stores
240

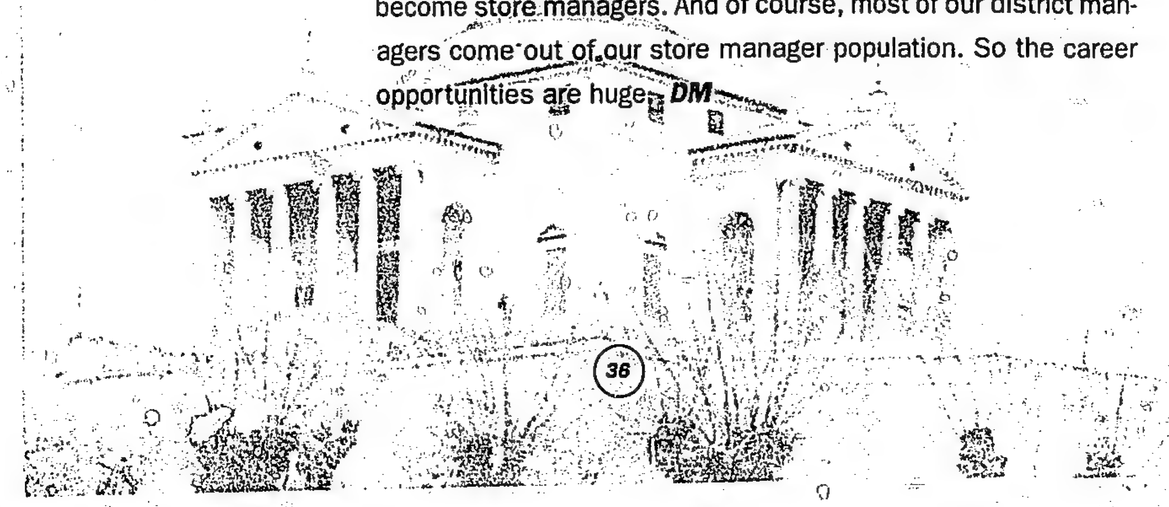




What percent of our store managers are promoted internally?

— Jay Reynolds, Phoenix, Arizona

If it's not 100%, it's very large and growing. Our base is so small that opening 50 or 60 stores a season means we have to look deep within our own organization to keep promoting from within. It's practically a fait accompli that good people who are up to our standards, and who can follow our demanding procedures, will become store managers. And of course, most of our district managers come out of our store manager population. So the career opportunities are huge. ***DM***




STRUCTURE


E LIMITED

Why don't we carry sizes 2 and 4? I turn customers away daily because we have no alternative for small kids. — *Kristen Cumings, Grand Rapids, Michigan*

Our ultimate goal is to dominate the girls' market, ages 6 to 14 — that's our focus. When we carried sizes 2 and 4, we found that it was the smallest segment of our business in sales, and we consistently missed opportunities in the larger sizes. We also saw that what worked for our target customer, a 12-year-old, wouldn't necessarily translate to a two- or four-year-old.

Leslie H. Wexner
Chairman

Are there plans to add a larger size, to bridge the gap between Limited Stores and Limited Too?
— *Molly Clifford, Savannah, Georgia*



Yes. We're testing size 16, which clearly can fit some 14- and 15-year-olds, and is roughly the equivalent of a size 2 adult. Currently, the 12- and 14-year-olds are more than 50% of our business, and we don't want to lose these customers due to sizing issues. And you're exactly right—we want to provide a bridge to the next store. ***LHW***

Year Founded
1987
Selling Sq. Ft.
514,000
Number of Stores
172

Why just girls? Boys need clothes too. If we had them, I'm sure we'd have more business.
— *Ann Bontekoe, Grand Rapids, Michigan*

But it's not for us. By definition, Limited Stores is a specialty store for women, and Limited Too is a specialty store for girls. There's a very positive synergy from the mother and daughter shopping experience, and that's what we're building on. And there's an enormous opportunity to maximize the 6–14 business for girls. ***LHW***



Year Founded
1892
Selling Sq. Ft.
287,000
Number of Stores
36

Why don't we carry some of the old Abercrombie & Fitch products, like steamer trunks?
— Amy Chait, Arlington, Virginia

I've just been here a few weeks, and I'm trying not to form a premature point of view. But A&F began as a sporting goods company, with a sideline in apparel; we are now an apparel company, and sporting goods and steamer trunks are basically props. We have to define our traditions not in terms of specific products, but in terms of style, taste, and quality level. That's what we will be faithful to, even as we move toward a broader group of customers and wider distribution.

Michael Jeffries
President

We have had many requests for size 14's for women. Is there any possibility of getting them back again?
— Elizabeth Michaels Willett, Towson, Maryland



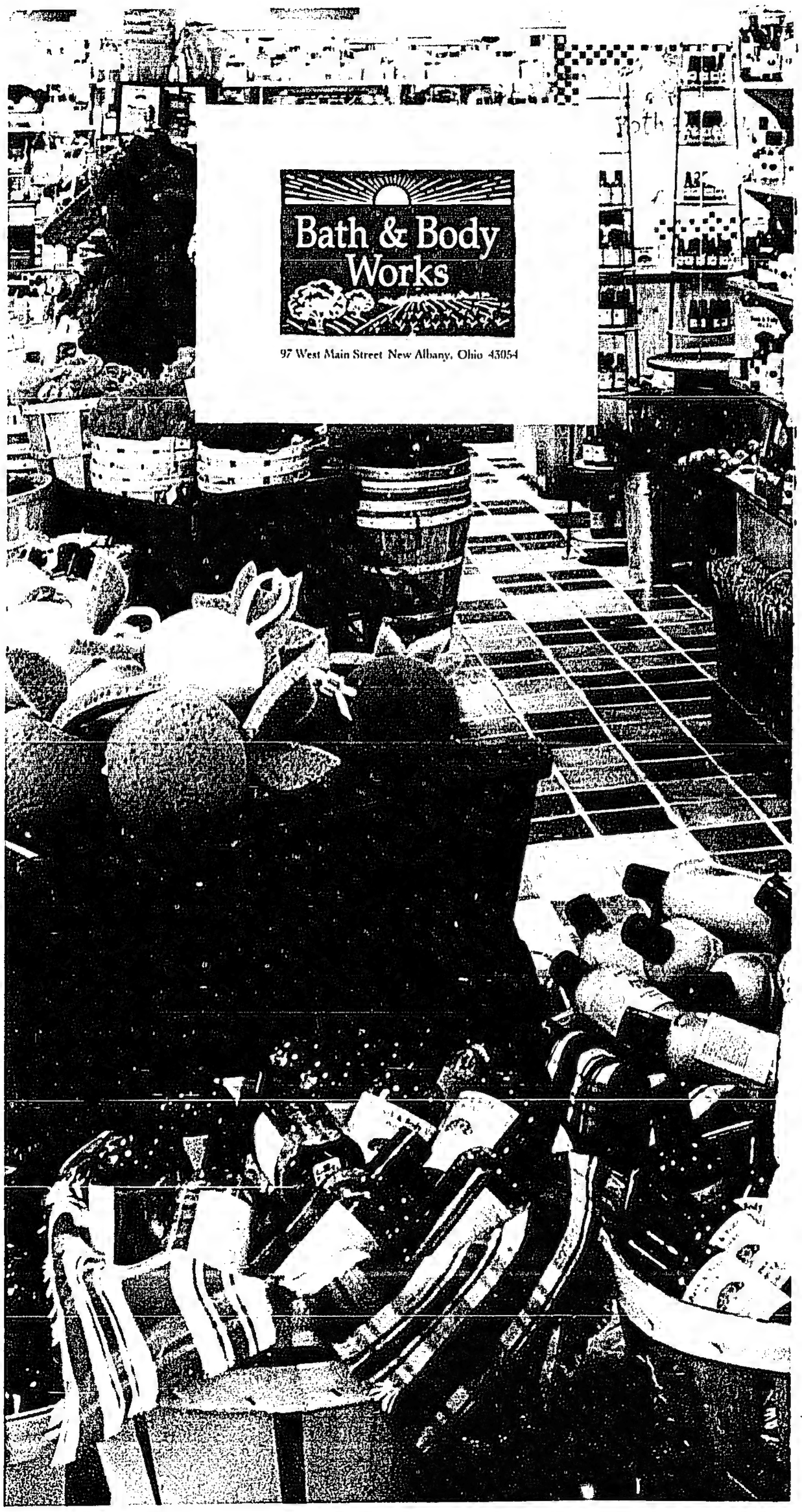
More than a possibility. Size 14 will be back in the Fall. ***MJ***

What will we be doing to expand our clothing lines? *— Kate Margolin, Chestnut Hill, Massachusetts*

A lot. We're already expanding our past programs to offer more variety of sizes, giving our sport shirts a more current look, and adding more inspired active apparel. We're seeking out areas appropriate to our franchise where we can really "own" the business. Men's sportswear is ready to explode, and haberdashery and clothing for women are coming along.

This business is a matter of building blocks. You've got to get one piece working, and then add another. We have all the potential in the world. ***MJ***


ABERCROMBIE & FITCH
Estab. 1892


Bath & Body
Works
97 West Main Street New Albany, Ohio 43054

Who decides the fragrances Bath & Body Works puts out on the market?

— Michelle Landry, Kenner, Louisiana

Ultimately, our customers. We want to provide personal care products that offer simple, healthy, and natural answers to consumer needs. So we keep the most popular fragrances, while introducing new scents into the line based on customer acceptance.

Beth Pritchard
Executive Vice President

What are the growth expectations for Bath & Body Works? When will it be a separate division?

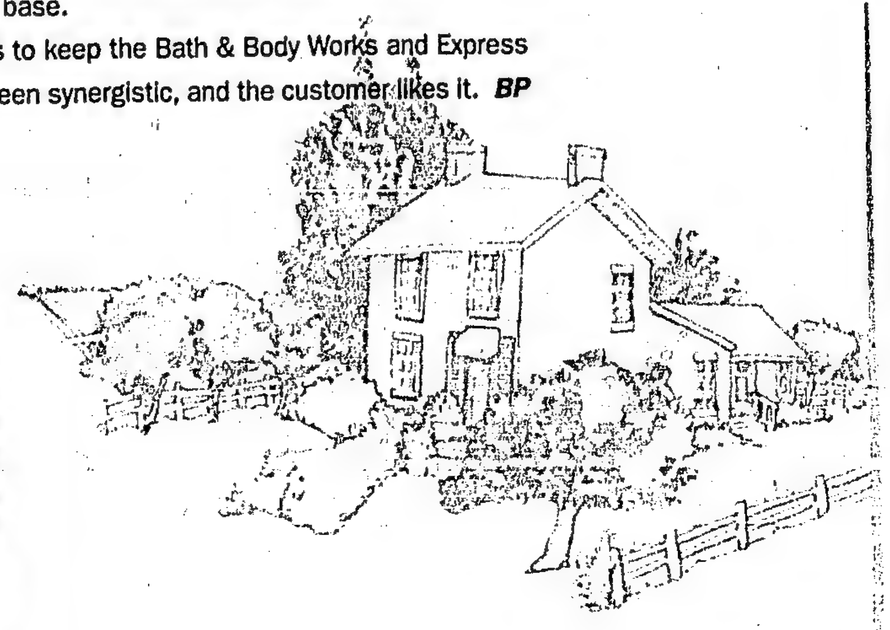
— Brenda Swauger, Northbrook, Illinois



Most of our growth will come from increasing the depth and breadth of our categories. We're going into aromatherapy, bath oil, and sun care, and we've already relaunched our men's line. Once we perfect what we're doing in our current base of stores, we'll expand.

Second, we're increasing consumer awareness of our products by putting them on tables in more than 300 Express stores. We're also using brochures and an 800 number for telephone orders to add to our customer base.

My preference is to keep the Bath & Body Works and Express relationship. It has been synergistic, and the customer likes it. ***BP***



Year Founded
1990
Selling Sq. Ft.
99,000
Number of Stores
95

Year Founded
1988
Selling Sq. Ft.
127,000
Number of Stores
54

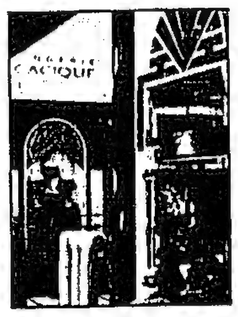
What do you want the Cacique name to mean?
— Anne Bever, Columbus, Ohio

Fashion-forward, high-quality lingerie. There's no trade-off between fashion and quality in the Cacique world; they go hand in hand. And the fact that our lingerie is affordable should be just a bonus.

Leslie H. Wexner
Chairman

Is our new store design working? *— Pat McGinnis, Columbus, Ohio*

Yes. The customer is responding to the new store design we began rolling out in October. We're using rich fabrics, touches of gold, and clear detailing to make the new Cacique feel like a terrific French lingerie shop that just happened to open an exact duplicate of its Paris boutique in the middle of an American mall. And it's the perfect complement to our merchandise. ***LHW***



Is Cacique growing at the pace you anticipated it would? *— Peter Schiller, Columbus, Ohio*

Better. We beat a very aggressive plan in 1991, and we're on track for an even more aggressive 1992. We had 54 stores at the end of 1991, and as we review real estate opportunities, we hope to have 74 stores by the end of this year.

But opening stores isn't the only aspect of our growth—we're seeing substantial sales growth in stores that have been open more than a year. First-time shoppers like what they've bought, come back for more, and tell their friends about us. It's the best way to grow. ***LHW***


LINGERIE
CACIQUE
PARIS 1936


PENHALIGON'S
41 WELLINGTON STREET
COVENT GARDEN
LONDON WC2
Perfumers Established 1870
THE BLENHEIM BOUQUET
SHAVING SOAP
Penhaligon's
BLENHEIM
BOUQUET
SHAVING SOAP
PENHALIGON'S
Penhaligon's
BLENHEIM
BOUQUET
AFTERSHAVE
PENHALIGON'S
Penhaligon's
BLENHEIM
BOUQUET
PENHALIGON'S

Why are we updating the Wellington Street shop's layout and color scheme, when it's already so successful? — *Sue Phillips, Mayfair*

I designed the Wellington Street shop 16 years ago, and it's completely wood. It's a tourist attraction; people come from all over the world to see it. But all that mahogany is also very dark. Whilst our established customers love it, new people come to the door and are reluctant to come in because they find it forbidding.

So we have to do something to keep those customers from hesitating. We're just going to lighten the shop a bit, and make it more friendly and welcoming.

Sheila Pickles
Managing Director

Year Founded
1870
Selling Sq. Ft.
3,000
Number of Stores
6

The people in Promotion have lovely ideas, but can't they get together with Production? We're always running out of products we're trying to promote.
— *Jean Matthews, Covent Gardens*



The truth is, we've got to get our sales projections right, and at the same time utilize our new systems to make our production facilities more flexible. For when all our people coordinate properly—doing windows, merchandising, advertising, and public relations — there's such a colossal effect that we've had sell-outs. ***SP***

What are our plans for expansion overseas? — *Belinda McCaslI, Burlington Arcade*

As we recently announced, we will be opening a shop in Saks Fifth Avenue in New York. It's a test, to see whether our formula works in the U.S. We're very excited, but we also have to be careful. Our job now is to take this tiny jewel of an English company, and to build on all the tradition and quality of the past to create an international luxury brand — and a much bigger enterprise. ***SP***

What is our customer base?

— Ed Bucciarelli, New York, New York

Year Founded
1896
Selling Sq. Ft.
93,000
Number of Stores
4

Our customer is today's working woman. She could be a high-powered executive, or a myriad of other people in the workforce. The point is that she isn't the person she *used* to be: someone with a large disposable income, all the time in the world to shop, and a perfect size 6 or under. We understand that wonderful women come in all sizes, can be very pressed for time, and want to know —before they walk into a store— that they're going to find something for themselves.

Susan Falk
President

What do we need to improve on the most?

— Valerie Rosenwasser, New York, New York

When we opened our stores last year, we tried to translate everything that worked in the old store into the new ones. But in the context of our larger customer base, we found that quirky little departments like *Kidz* and *Sentiments* were just irrelevant. We closed them. But the challenge is still to identify businesses that are important to our customer, and present them to her in the right, focused assortment. ***SF***

What are our plans for continued expansion? When will we open our next store?

— Connie Truax, Boston, Massachusetts

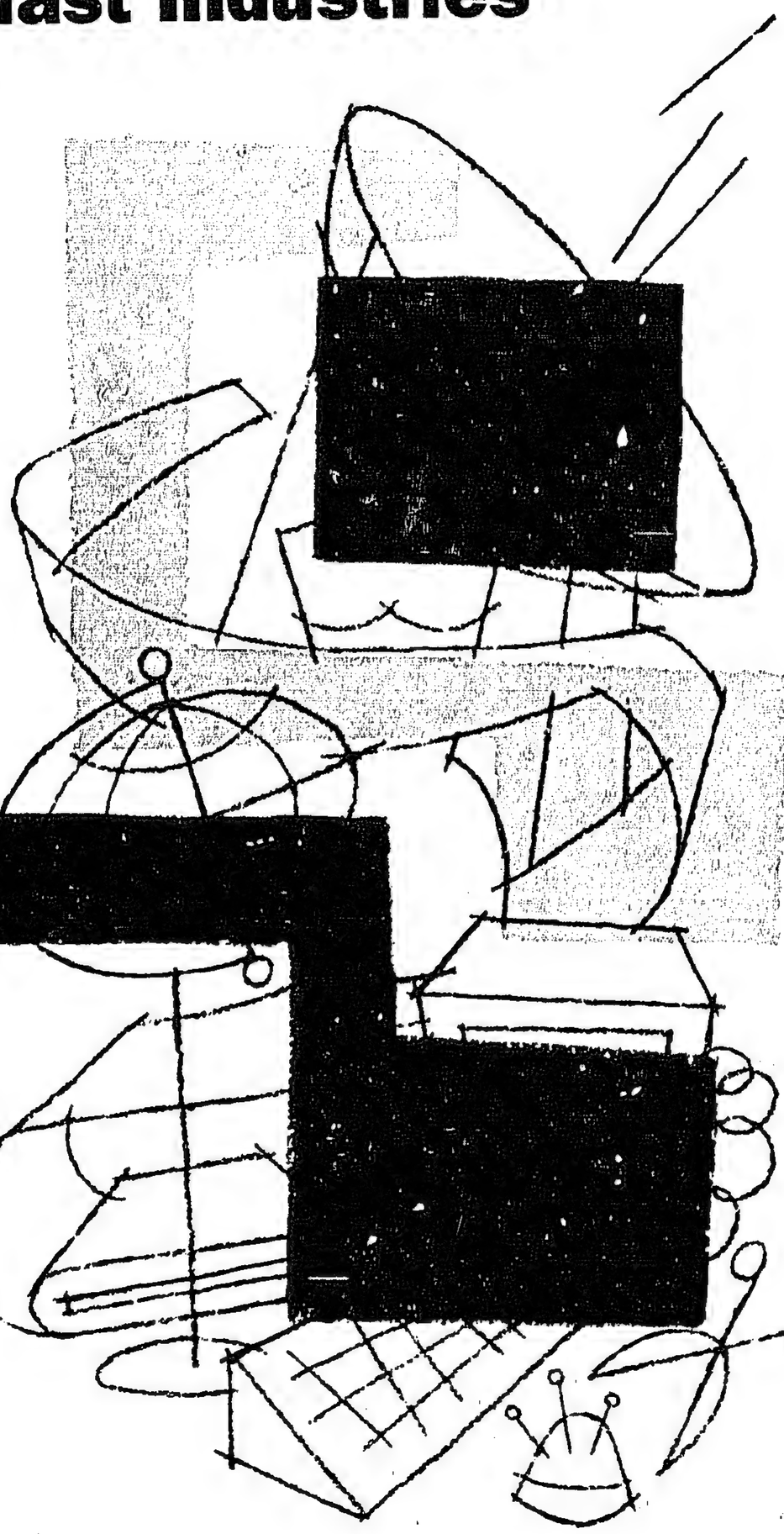
Right now, we're still redefining what we have. Before we open Store 5, we want to know that everything works. We want Store 5 to be as perfect as it can be.

For example, when we opened in Columbus, we put a series of small shops in the front of the store. But the format wasn't as inviting as it needed to be, so we changed the whole front area, including knocking down walls. With a few changes, Columbus is running some of our best period-to-period comparisons.

Some things we've done, especially in design and merchandising, have been wildly successful. But we're out to set a new standard for a high-end specialty store in sales, service, productivity, and content. When we're doing it in Stores 1 through 4, that's when you'll see Store 5. ***SF***


HENRI BENDEL
NEW YORK

Mast Industries



How closely connected is the Mast management team with The Limited, Inc.'s management team in planning the growth of the businesses?

— Rebecca Thomas, Andover, Massachusetts

In general, our growth plans are very well integrated with those of The Limited, Inc. For instance, we typically develop ideas for specific product categories with particular retail divisions in mind. Then we present our plans to senior managers at the divisions, and try to sell them on the programs we've designed. As in any buyer-supplier relationship, the goal is to convince them that partnering with us in developing new ideas will be good for them as well as for Mast.

We also keep the corporate people plugged in by submitting our plans for expanding our business at least twice a year — and by reviewing our progress more frequently than that. This is critical, because usually our programs cost money, and we need approval to spend the funds.

Martin Trust
President

Why do The Limited, Inc.'s divisions buy from companies other than Mast?

— Betty Lee, Hong Kong

If the divisions had to give us all their business, their buyers would be stuck with whatever we did. We'd have nothing to keep ourselves honest, and the buyers would stop pushing for the best fashion, price, delivery terms, quality, fabric, and factories.

We need to feel that our last order, and our last success, only helped us get a foot in the door for the next order. Right now, Mast associates have an individual and collective determination to prove — every day — that we can answer our customers' needs better than anyone else. That's precisely the kind of spirit we want. We don't want orders delivered to us by executive fiat. ***MT***

Doesn't the combination of speed sourcing and competitive pricing compromise quality?

— Ed Chan, Hong Kong

I don't believe it does. In fact, just the opposite is true. Let's remember that for Mast to get that next order, we need to give our customers all three: competitive quality, competitive price, and the quickest delivery possible. My experience is that getting the right quality often is not just an issue of speed or price. Sound professional judgment — that is, knowing how, where, and with whom to make the merchandise — is just as important. ***MT***

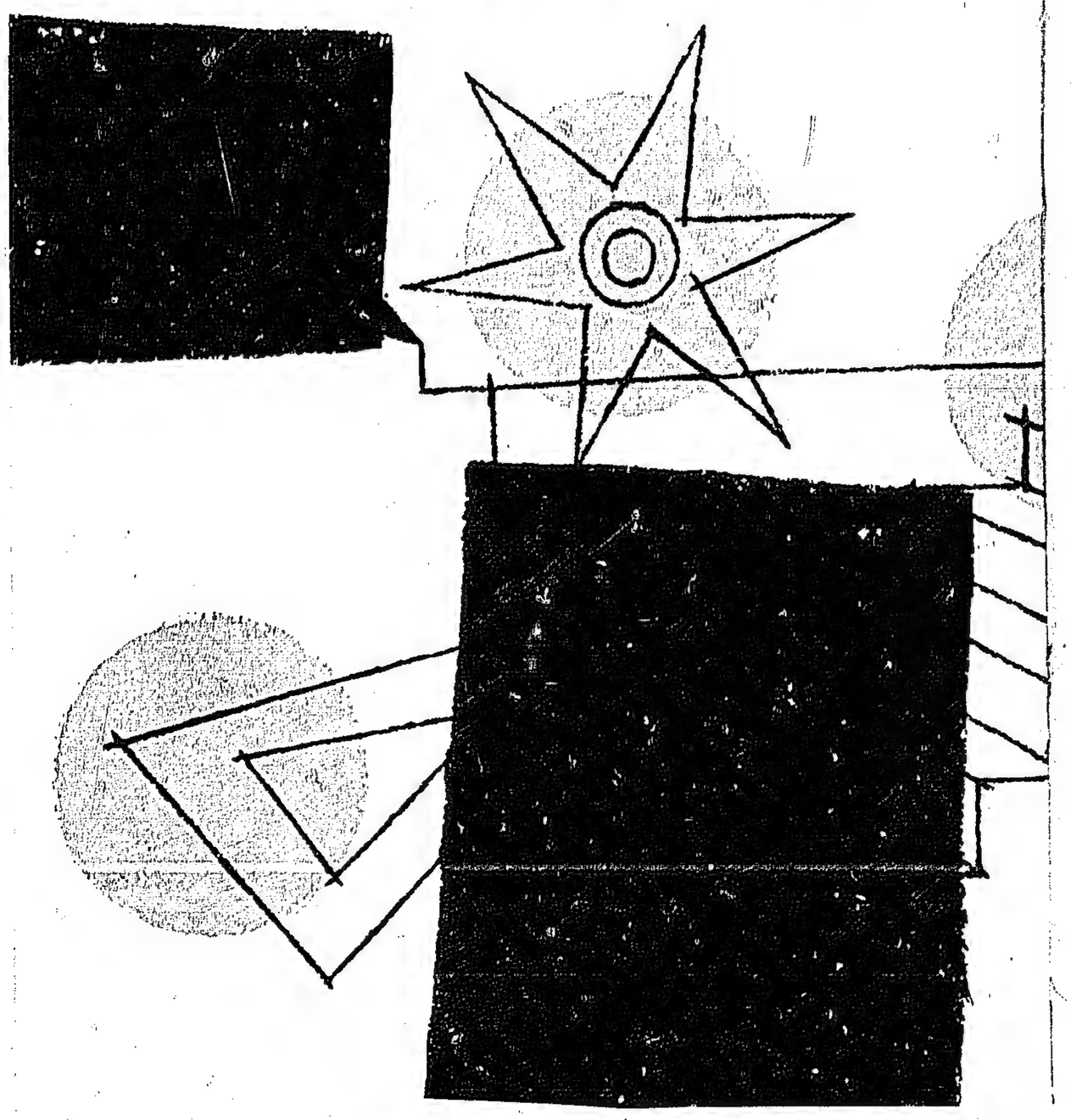
What is the outlook for larger stores such as Dadeland? — *Dave Warren, Columbus, Ohio*

Our current Dadeland, Florida format, which opened last November, was conceived of three years ago. So don't even look at that. Our thoughts have evolved and we've been looking at new formats to situate stores more strategically, so we can bounce the traffic around.

In general, we see shopping centers being reformatted to provide a more sociable and exciting environment. So we ask what we can add in our large formats that customers would like, and that would give people more reasons to visit our stores. This might mean a food component or two, even an entertainment component or two, if we can find the right partners.

Charles W. Hinson
President

Store Planning

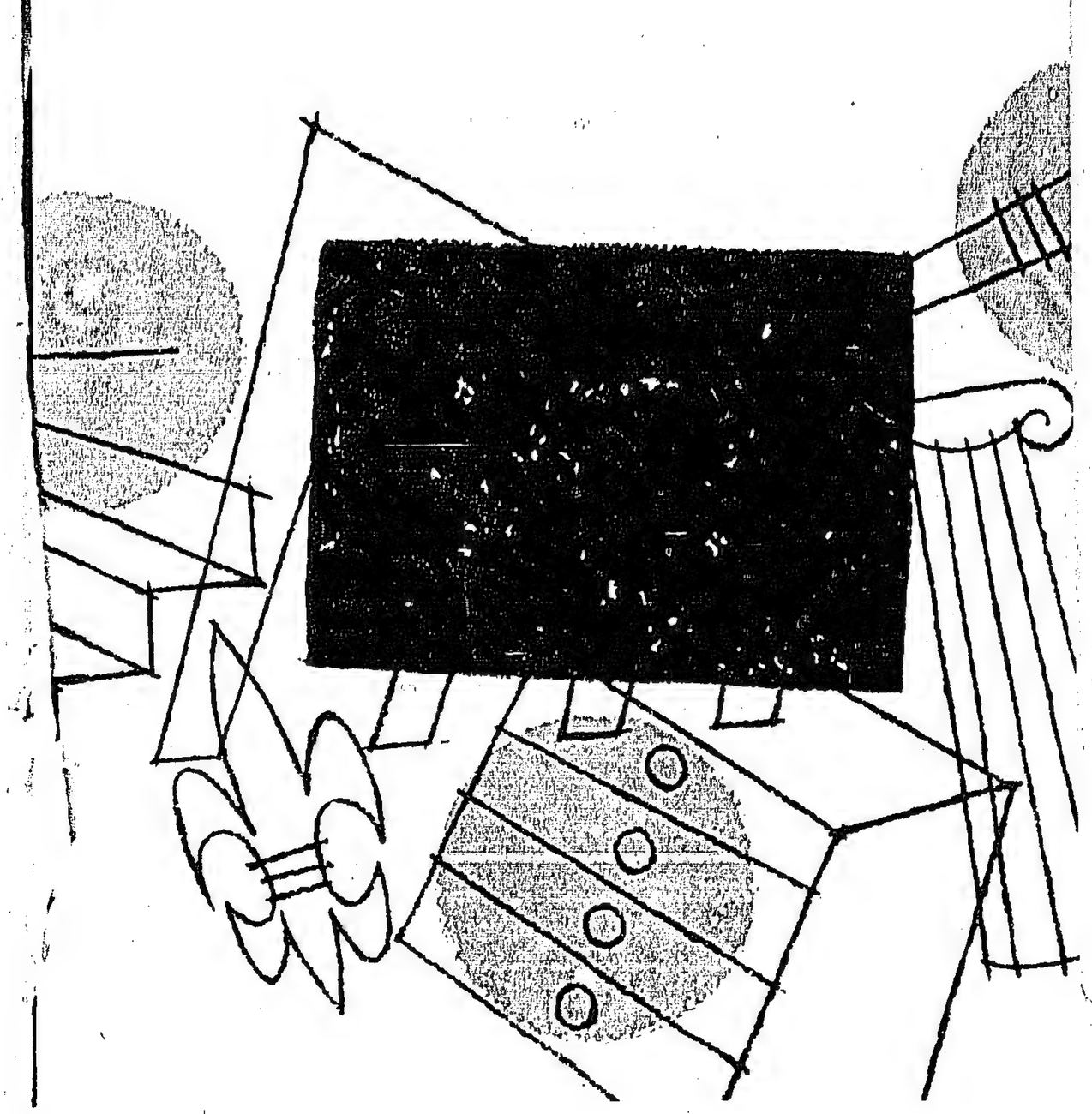


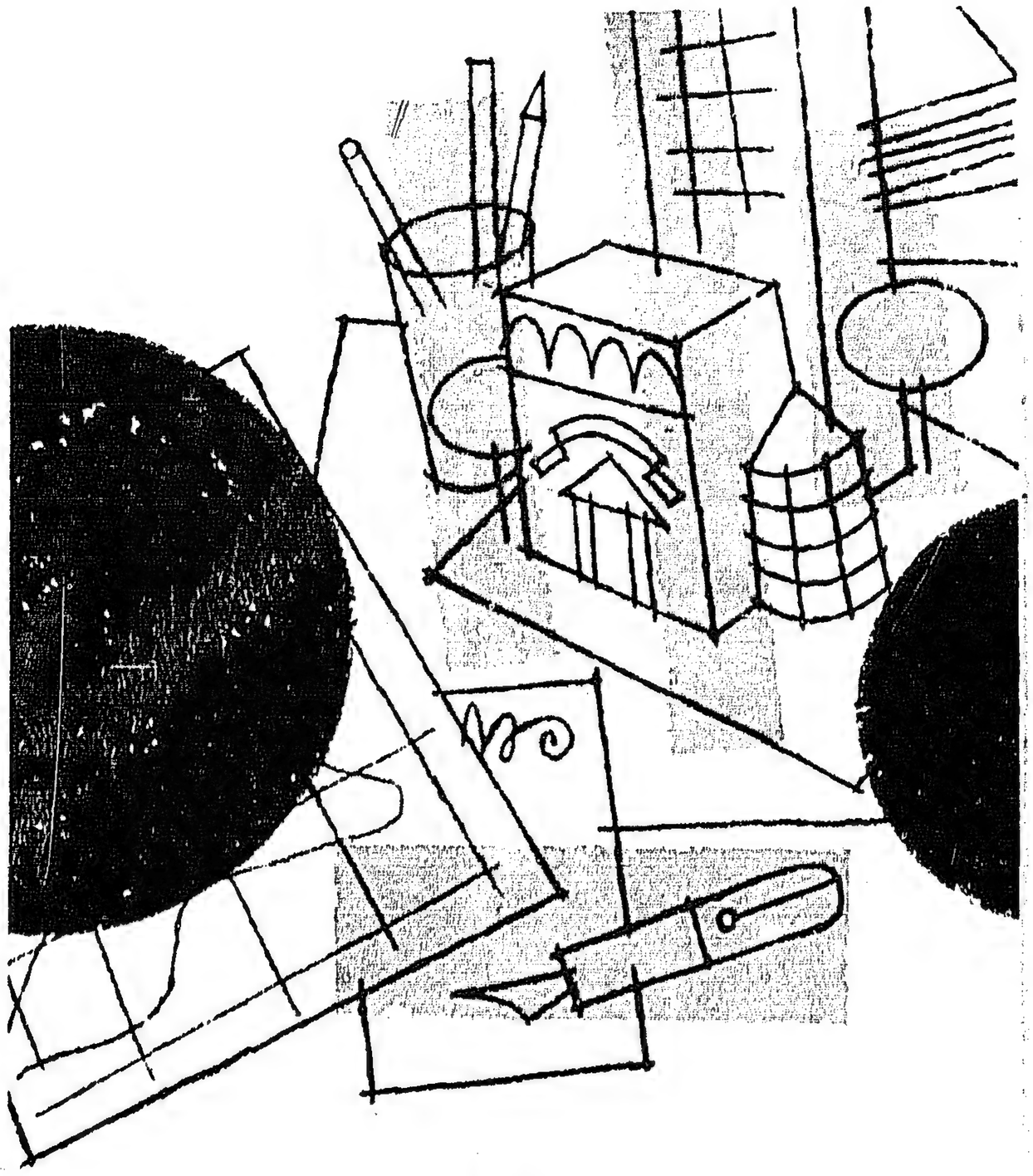
Why don't we build more stores in outlying areas such as Newark or Lancaster, Ohio?
— Joyce Kennedy, Columbus, Ohio

We're considering it. Historically, we've had good success in normal, large, regional mall environments. But there's a certain saturation point in large markets; we might have another 200 stores to go in a division, and then we have to start testing smaller stores in smaller markets. It could be a very big thing. ***CWH***

How and when is the decision made to change a store design? *— Pam Gans, Columbus, Ohio*

There are three driving forces to a division's success: merchandising, marketing, and store design. So like the rest, changing the look of a store is a competitive decision: Is the store keeping its edge? Is it fashion right? Is there something else we can do to pre-empt the competition? It's not much more than that. ***CWH***





Since we take up so much square footage in shopping centers these days, will we ever consider investing in a shopping center, or a joint venture with a developer or another large tenant?

— Carrie Barclay, Columbus, Ohio

We're looking at that right now. The size, growth, and productivity of our businesses give us plenty of chances to use joint ventures and other creative twists — department store pads, aggregating space, double decking space. But our real job is getting the best possible space for our stores. At the end of the day, that's how we judge our performance.

John DeWolf
Vice President
Buck R. Sappenfield
Vice President

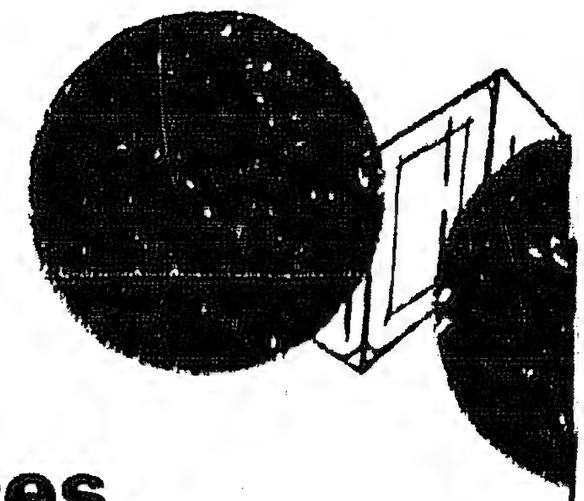


Real Estate

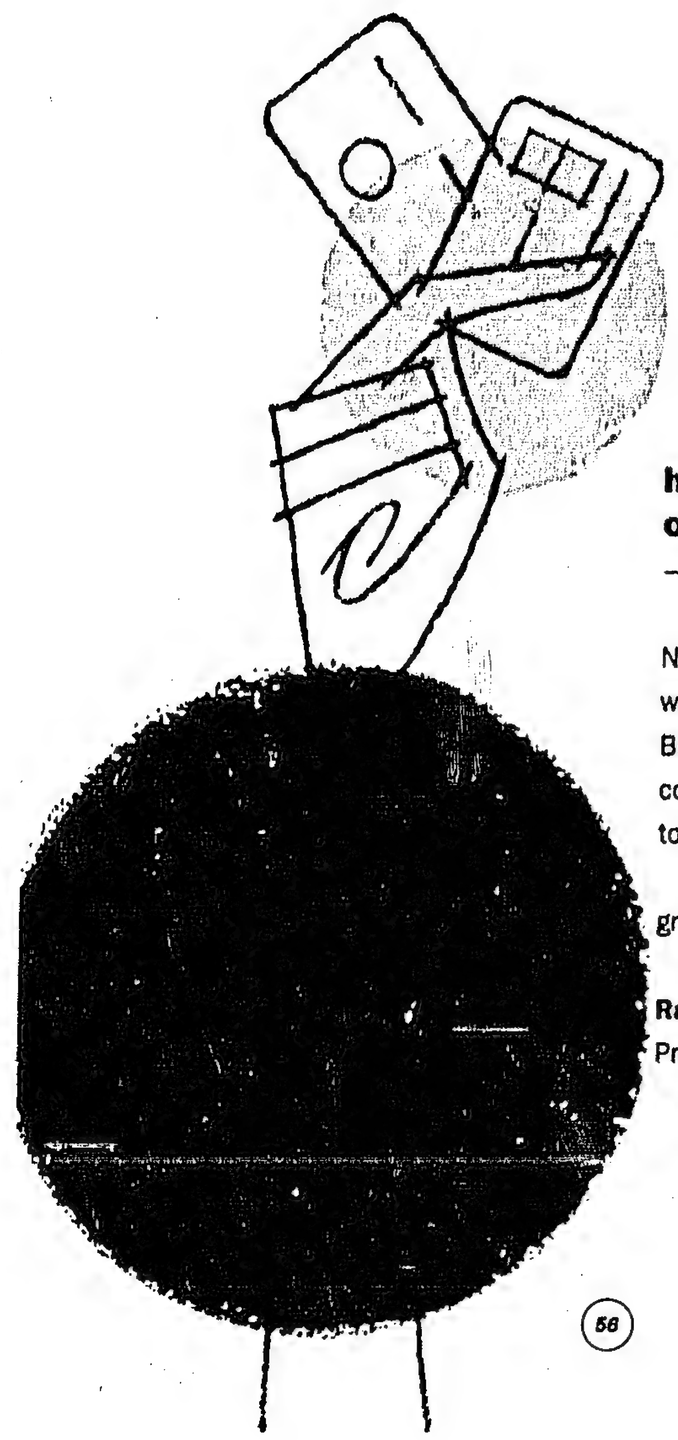
With fewer new malls being built, how are we to meet our goals for the next five years and thereafter? — *Amy Atkinson, Gahanna, Ohio*

True, there aren't many locations across the country for new malls. But we've already seen a great deal of growth from expanding and revitalizing existing facilities. And we have good opportunities to reposition and expand, as the tenant mix in shopping centers continues to change.

The other way we'll keep growing is by getting more from our presence in the malls. Five years ago, we were part of the crowd. Today, we're often the catalyst for new shopping centers, and for the renovation of older ones. We're ready to make the commitment, as long as we get the right deal. ***JDW & BRS***



Credit Services



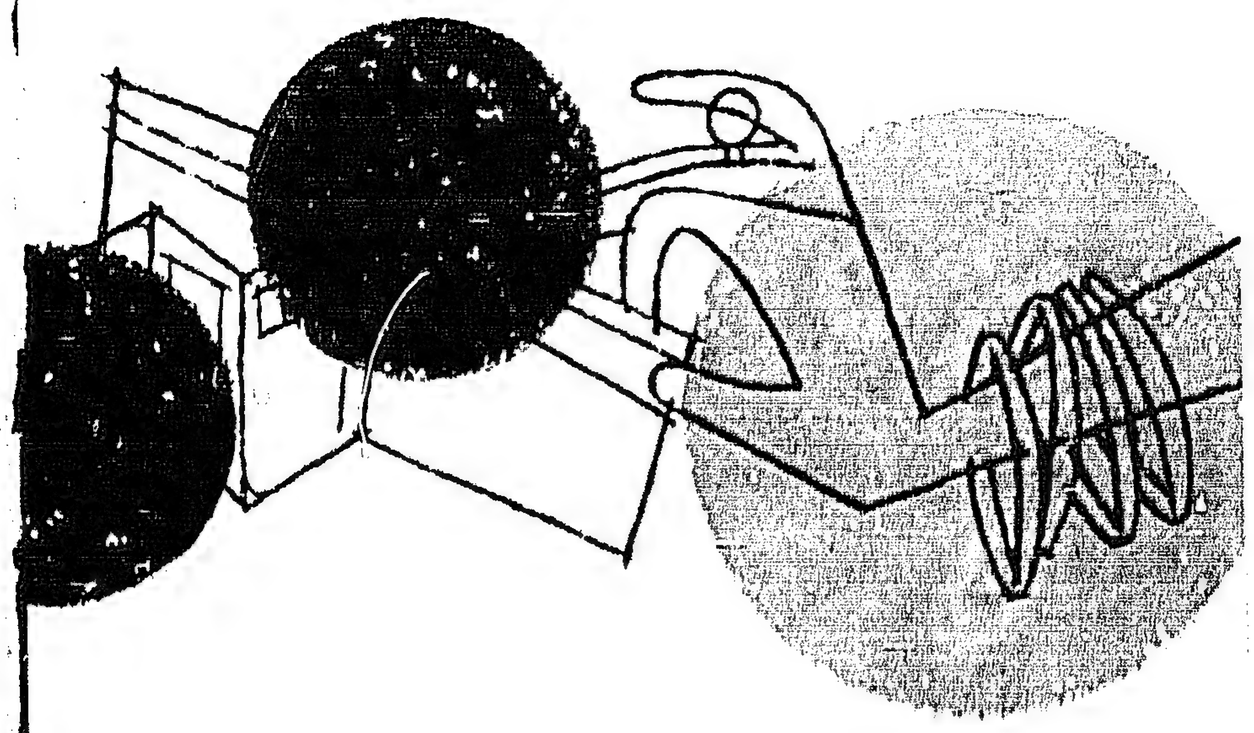
Would we handle credit services for other retailers?

— John Jackson, Columbus, Ohio

No. We do believe that we're great at what we do, and that we do it better than others. But we regard credit services as a tool for competitive advantage, and we don't want to help our competitors.

In any case, we have plenty of room for growth internally, without going outside.

Ralph E. Spurgin
President



What benefits do our credit cards provide the corporation? — *Bret Jimison, Columbus, Ohio*

A proprietary store card helps increase sales. A customer with a store card goes into the store more often, is more likely to buy, and buys more than a customer without a store card.

Our statements and service also give us a fresh chance to reach the customer with a merchandise message. We have a full statement-insert program, and we're making the statement a more powerful advertising vehicle. We've also experimented with Gold Cards, rebates, skip-a-payment, deferred billing, and calling our best customers with sales information. ***RES***

Are we implementing programs that will increase our credit card sales or issuance of credit cards? — *Lina Welty, Columbus, Ohio*

We have a number of new programs to build credit volume with reliable new accounts. For instance, we're working with some of the divisions to encourage more credit card applications. Prospective customers can apply in the store, by mail, or by phone. We open accounts with full credit checks in under three minutes.

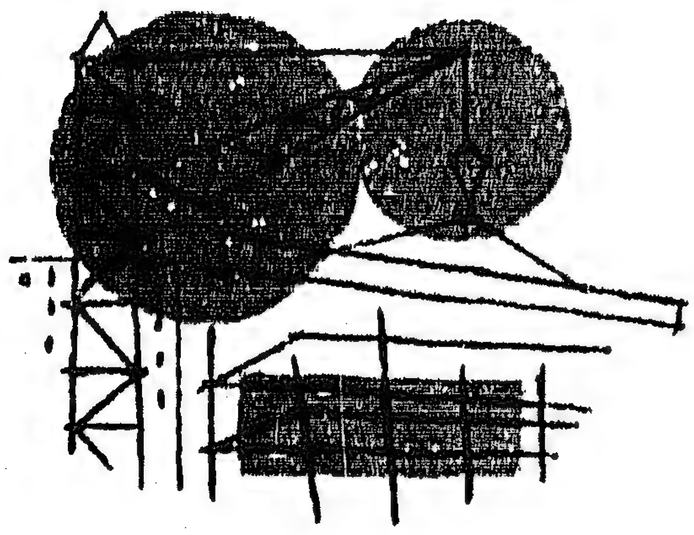
We use advanced mathematical models, along with common sense, to ensure that our credit-granting practices benefit our customers and stores. ***RES***

Why doesn't The Limited, Inc. operate its own fleet of trucks to deliver merchandise to the stores? Wouldn't this be more cost effective?

— Jim Hearns, Columbus, Ohio

At one time we had our own fleet, but it didn't work out — our trucks ran empty on return trips about 40% of the time. It made more sense for us to find operators who wanted our freight — going in our direction. That way, we not only lowered our costs by about 25%, but we also got better service from truckers who needed our business.

C. Lee Johnson
President



Distribution Services

Why do we pay so much to get merchandise here fast?

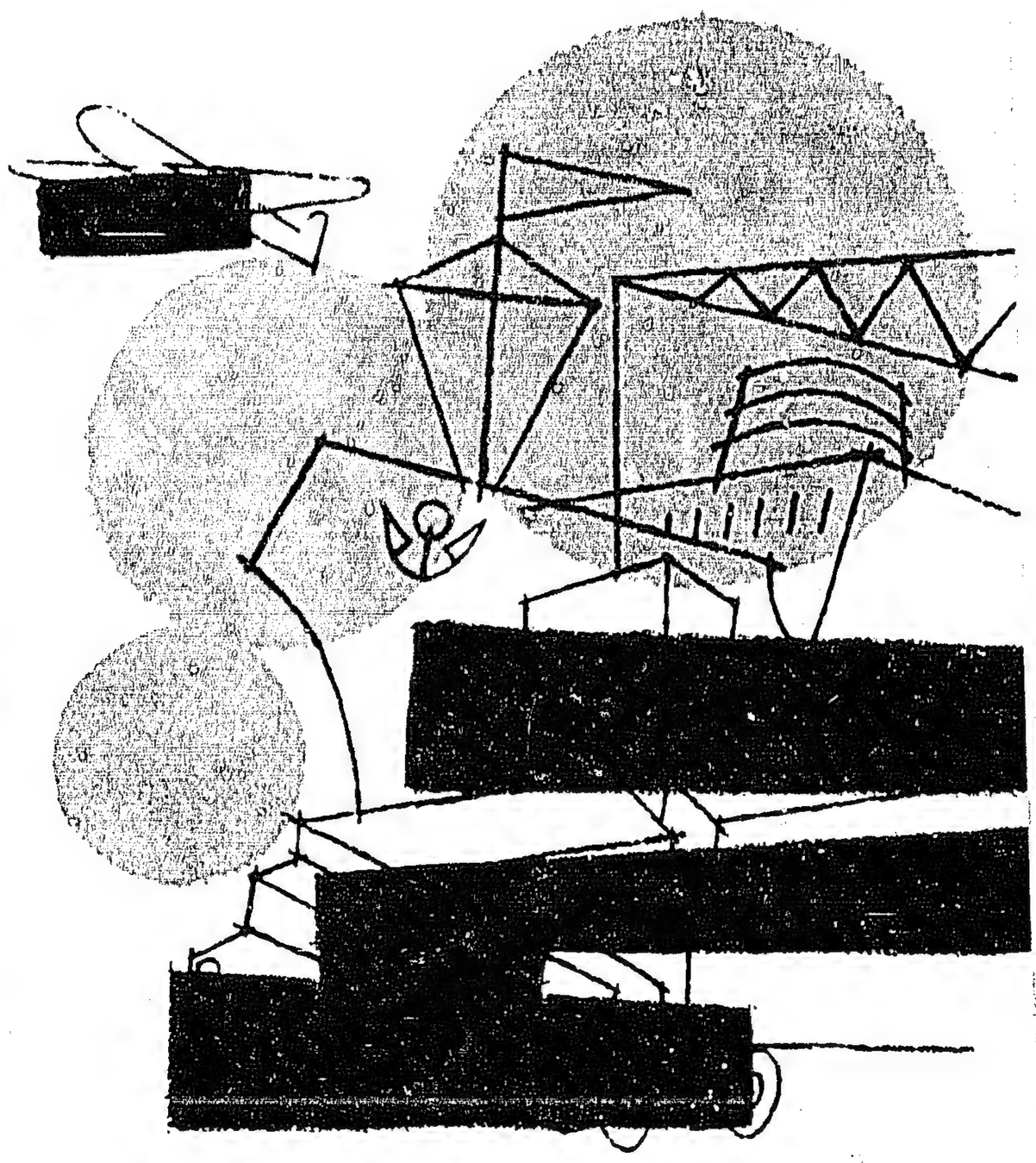
— Cheryl Sauvey, Columbus, Ohio

The strategy of all our divisions is to be the first in the market with the latest in fashion. True, we spend more on air freight than we would if we shipped by sea. But we make up for it by attracting and holding our customers with up-to-date merchandise. So distribution isn't viewed as a cost center at The Limited; it's seen as a way to build sales by adding value to our merchandise. ***CLJ***

We're building two new distribution centers. How can we afford to keep building?

— Greg Freitag, Columbus, Ohio

We can't afford not to build. We're expecting steady sales and unit volume growth this year and into the foreseeable future, and increasing our efficiency just won't be enough to accommodate $10 billion worth of merchandise. If we don't prepare for growth now, we won't be able to handle it when it comes. ***CLJ***



Many of your questions boil down to one: Do we have the financial resources to sustain our growth? The answer: Yes, without question.

Retailers with the financial strength and stability to plan and act for the long term will have tremendous opportunities throughout the '90s. The Limited, Inc. is one of those few companies. Over the past two years, we have shown that we can withstand whatever the retail environment dishes out in the short term, while building our business for the future.

acting

Here are a few indicators that help make the point quite clearly.

The chart on page 68 shows that 1991 net cash provided by operating activities, or "cash flow," was $475.6 million. Our capital expenditures were $523.1 million, or just slightly higher than our cash flow. What this means is that we are able to grow our business primarily with internally generated funds without having to rely on outside sources.

Our balance sheet on page 66 shows nearly $1.9 billion of Shareholders' Equity, in contrast to only about $700 million of Long-Term Debt. In other words, Long-Term Debt is only 38% of our Shareholders' Equity, providing us with lots of cushion to avoid financial difficulty.

now

In addition, it's worth noting that our Accounts Receivable exceeds our Long-Term Debt, as it has for the last four years. This is another strong indicator that sales and profits are funding our growth.

These are only some of the indicators we look at constantly to track the health of our business. But they show what we mean by financial stability, and why we feel we have the power to act on our vision.

Kenneth B. Gilman

Executive Vice President

Chief Financial Officer

Financial Summary

(thousands except per share amounts, ratios, and store and associate data)

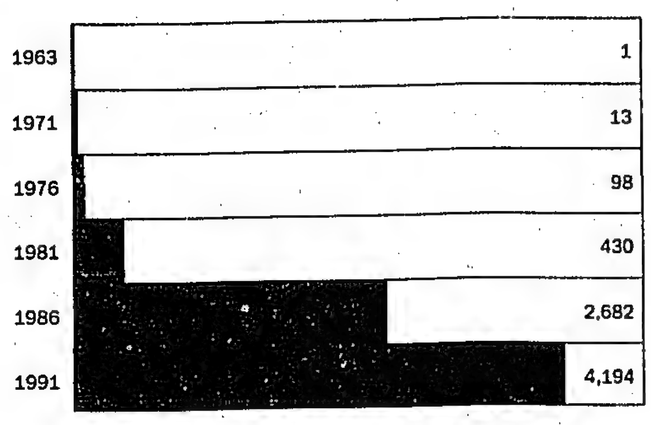
Fiscal Year	1991†	1990†	1989*††	1988†
Summary of Operations				
Net Sales	**$6,149,218**	$5,253,509	$4,647,916	$4,070,777
Gross Income	**1,793,543**	1,630,439	1,446,635	1,214,703
Operating Income	**712,700**	697,537	625,254	467,418
Income Before Income Taxes	**660,302**	653,438	573,926	396,136
Net Income	**$ 403,302**	$ 398,438	$ 346,926	$ 245,136
Net Income as a Percentage of Sales	**6.6%**	7.6%	7.5%	6.0%
Per Share Results				
Net Income	**$ 1.11**	$ 1.10	$ .96	$ .68
Dividends	**$ .28**	$ .24	$ .16	$ .12
Book Value	**$ 5.19**	$ 4.33	$ 3.45	$ 2.64
Weighted Average Shares Outstanding	**363,594**	362,044	361,288	360,186
Other Financial Information				
Total Assets	**$3,418,856**	$2,871,878	$2,418,486	$2,145,506
Working Capital	**$1,084,205**	$ 884,004	$ 685,524	$ 567,639
Current Ratio	**3.1**	2.8	2.4	2.2
Long-Term Debt	**$ 713,758**	$ 540,446	$ 445,674	$ 517,952
Debt-to-Equity Ratio	**38%**	35%	36%	55%
Shareholders' Equity	**$1,876,792**	$1,560,052	$1,240,454	$ 946,207
Return on Average Shareholders' Equity	**23%**	28%	32%	29%
Stores and Associates at End of Year				
Total Number of Stores Open	**4,194**	3,760	3,344	3,497
Selling Square Feet	**20,355,000**	17,008,000	14,374,000	14,296,000
Number of Associates	**83,800**	72,500	63,000	56,700

* Fifty-three week fiscal year.

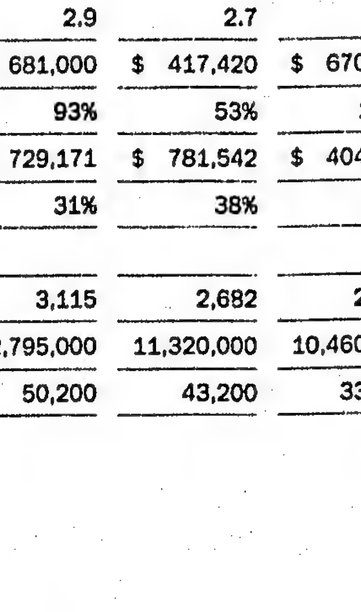
† Includes the results of companies acquired subsequent to the date of acquisition.

†† Includes the results of companies disposed of up to the disposition date.

Number of Stores

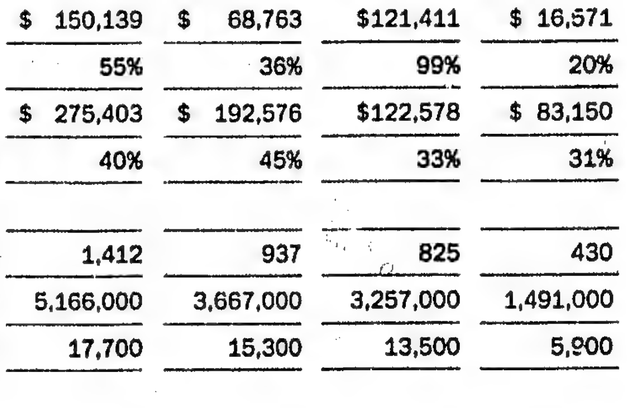


1987	1986	1985†	1984*	1983	1982†	1981
$3,527,941	$3,142,696	$2,387,110	$1,343,134	$1,085,890	$721,394	$364,900
992,775	961,827	718,843	404,321	327,616	209,374	109,246
408,872	438,229	276,212	173,102	135,377	70,943	38,386
378,188	394,780	239,317	157,495	134,939	60,592	38,486
$ 235,188	$ 227,780	$ 145,317	$ 92,495	$ 70,939	$ 33,592	$ 22,386
6.7%	7.2%	6.1%	6.9%	6.5%	4.7%	6.1%
$ .62	$ .60	$ .40	$ .26	$ .20	$ .10	$ .07
$ .12	$ .08	$ .05	$ .04	$ .02	$ .01	$ .007
$ 2.04	$ 2.07	$ 1.13	$ .77	$ .54	$ .35	$ .25
376,626	376,860	365,638	361,262	360,372	351,012	333,042
$1,929,477	$1,726,544	$1,494,313	$ 657,242	$ 425,240	$367,979	$142,658
$ 629,783	$ 586,827	$ 419,706	$ 180,960	$ 101,665	$ 82,305	$ 23,728
2.9	2.7	2.2	2.0	1.8	1.8	1.7
$ 681,000	$ 417,420	$ 670,744	$ 150,139	$ 68,763	$121,411	$ 16,571
93%	53%	166%	55%	36%	99%	20%
$ 729,171	$ 781,542	$ 404,075	$ 275,403	$ 192,576	$122,578	$ 83,150
31%	38%	43%	40%	45%	33%	31%
3,115	2,682	2,353	1,412	937	825	430
12,795,000	11,320,000	10,460,000	5,166,000	3,667,000	3,257,000	1,491,000
50,200	43,200	33,600	17,700	15,300	13,500	5,900



Selling Square Feet

(In thousands)



Consolidated Statements of Income

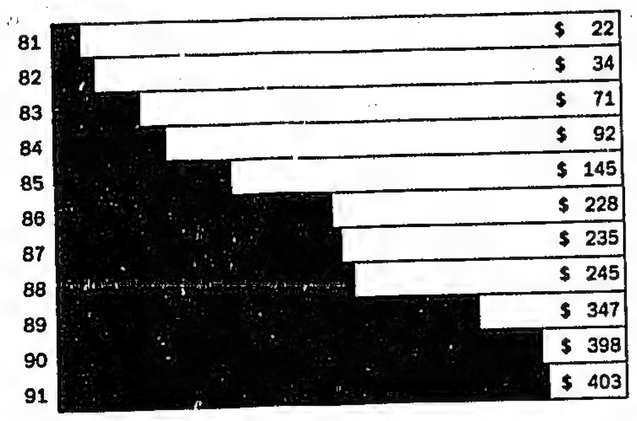
(thousands except per share amounts)

	1991	1990	1989
Net Sales	**$6,149,218**	$5,253,509	$4,647,916
Costs of Goods Sold, Occupancy, and Buying Costs	**4,355,675**	3,623,070	3,201,281
Gross Income	**1,793,543**	1,630,439	1,446,635
General, Administrative, and Store Operating Expenses	**1,080,843**	932,902	821,381
Operating Income	**712,700**	697,537	625,254
Interest Expe ise	**(63,927)**	(56,609)	(58,059)
Other Income, net	**11,529**	12,510	6,731
Income Before Income Taxes	**660,302**	653,438	573,926
Provision for Income Taxes	**257,000**	255,000	227,000
Net Income	**$ 403,302**	$ 398,438	$ 346,926
Net Income Per Share	**$ 1.11**	$ 1.10	$ .96

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Net Income

(In millions)
CAGR 34% (Compound Annual Growth Rate, last ten years)





Management's Discussion and Analysis

Results of Operations

During 1991, the Company achieved a record sales volume of $6.149 billion, a 17% increase versus last year. Fourth quarter sales increased 18%, and net income in the fourth quarter was 9.7% of sales. In 1991, the Company added 434 new stores and remodeled 246 stores for a total of 3.3 million additional selling square feet.

Financial Summary

The following summarized financial data compares 1991 to the comparable periods for 1990 and 1989:

	% of Net Sales			% Change	
Fourth Quarter	**1991**	1990	1989	1991–90	1990–89
Net sales	**100.0%**	100.0%	100.0%	18%	10%
Gross income	**32.2%**	32.9%	32.9%	15%	10%
General, administrative, and store operating expenses	**15.5%**	16.0%	15.9%	14%	11%
Interest expense	**.8%**	.9%	.9%	3%	12%
Net income	**9.7%**	9.9%	9.7%	16%	12%

	% of Net Sales			% Change	
Fiscal Year	**1991**	1990	1989	1991–90	1990–89
Net sales	**100.0%**	100.0%	100.0%	17%	13%
Gross income	**29.2%**	31.0%	31.1%	10%	13%
General, administrative, and store operating expenses	**17.6%**	17.8%	17.7%	16%	14%
Interest expense	**1.0%**	1.1%	1.2%	13%	(2%)
Net income	**6.6%**	7.6%	7.5%	1%	15%

Acquisition and Disposition

Gryphon Development, L.P. (Gryphon) creates, develops,.and manufactures most of the bath and personal care products sold by the Company. Prior to June 1, 1991, the Company owned approximately 50% of Gryphon and accounted for such investment using the equity method. Effective June 1, 1991, the Company acquired an additional 15% of Gryphon for $18.75 million and accordingly included Gryphon in its consolidated financial statements.

The Company acquired Penhaligon's from Laura Ashley Holdings p.l.c. effective July 2, 1990 for approximately $11 million. Penhaligon's, a British company, designs, distributes, wholesales, and retails a variety of perfumes, toiletries, grooming accessories, and antique silver gifts.

In 1989, the Company sold its Lerner Woman division to United Retail Group, Inc., a new corporation owned equally by Lerner Woman's management, Centre Capital Investors L. P., and The Limited, Inc. The Company received cash and debt securities approximating the net book value of the Lerner Woman assets. The statements of income and cash flows for 1989 include the results of Lerner Woman up to the effective disposition date, April 30, 1989.

Net Sales

Fourth quarter sales increased 18%, reflecting a 4% increase in comparable store sales in addition to sales from the new and remodeled stores added during the year.

The 10% increase in fourth quarter 1990 sales resulted from additional sales volume generated by new and remodeled stores added in 1990, which was offset by a 1% decline in comparable store sales.

Sales increased 17% during 1991, reflecting the additional volume from new and remodeled stores and a 3% increase in comparable store sales. The additional 434 new and 246 remodeled stores represented 3.3 million selling square feet, a 20% increase over year-end 1990.

Consolidated Balance Sheets

(thousands)

Assets	Feb. 1, 1992	Feb. 2, 1991
Current Assets		
Cash and Equivalents	**$ 33,735**	$ 13,180
Accounts Receivable	**735,832**	670,296
Inventories	**730,050**	585,166
Other	**104,708**	96,319
Total Current Assets	**1,604,325**	1,364,961
Property and Equipment, net	**1,657,084**	1,395,073
Other Assets	**157,447**	111,844
Total Assets	**$3,418,856**	$2,871,878
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	**$ 199,756**	$ 200,078
Accrued Expenses	**265,267**	256,153
Income Taxes	**55,097**	24,726
Total Current Liabilities	**520,120**	480,957
Long-Term Debt	**713,758**	540,446
Deferred Income Taxes	**267,315**	254,304
Other Long-Term Liabilities	**40,871**	36,119
Shareholders' Equity		
Common Stock	**189,727**	189,727
Paid-In Capital	**100,929**	99,237
Retained Earnings	**1,783,027**	1,480,866
	2,073,683	1,769,830
Less Treasury Stock, at cost	**(196,891)**	(209,778)
Total Shareholders' Equity	**1,876,792**	1,560,052
Total Liabilities and Shareholders' Equity	**$3,418,856**	$2,871,878

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Management's Discussion and Analysis

Results of Operations — Continued

The 13% increase in 1990 sales over 1989 resulted from additional sales provided by 416 new and 150 remodeled stores, comprising 2.6 million selling square feet, and a 3% increase in comparable store sales. Had 1989 results excluded Lerner Woman for the full year, the annual sales increase for 1990 would have been 14%.

Gross Income

Fourth quarter 1991 gross income declined .7% of sales compared to 1990 as fewer markdowns were offset by lower initial markups (IMU) and higher buying and occupancy costs.

The fourth quarter 1990 gross income rate was flat when compared to 1989, as higher IMU was offset by higher buying and occupancy costs.

The gross income rate decline in 1991 compared to 1990 was principally the result of higher buying and occupancy costs, due to new and remodeled stores. In general, lower IMU was largely offset by fewer markdowns.

The gross income rate for 1990 declined slightly from 1989 as higher IMU was offset by a slight increase in the markdown rate and higher buying and occupancy costs resulting from new and expanded stores.

General, Administrative, and Store Operating Expenses

During the fourth quarter and full 1991 year, these expenses were tightly controlled and increased at a lower rate than sales for the comparable periods. Selling payroll costs associated with newer stores contributed to the increase in these expenses. However, as a percentage of net sales, these expenses improved as a result of management's continued emphasis on expense control.

General, administrative, and store expenses, expressed as a percentage of sales, increased slightly during 1990 including the fourth quarter as the rates of increase in selling payroll associated with new and expanded stores, and advertising costs, including national advertising at the Company's Express, Victoria's Secret, and Henri Bendel divisions, increased at a greater rate than sales.

Interest Expense

Interest expense increased in the fourth quarter and for all of 1991 as compared to the comparable periods in 1990, due to higher average borrowings partially offset by lower average interest rates.

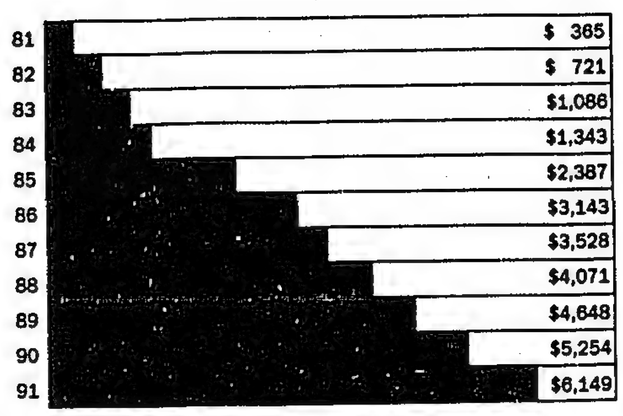
Interest expense increased during the fourth quarter 1990 over 1989 as higher average borrowings more than offset the impact of lower interest rates.

Interest expense for 1990 declined by $1.5 million from 1989 as savings from lower interest rates were partially offset by higher average borrowing levels in the second half of the year.



Net Sales

(In millions)
CAGR 33%



Consolidated Statements of Cash Flows

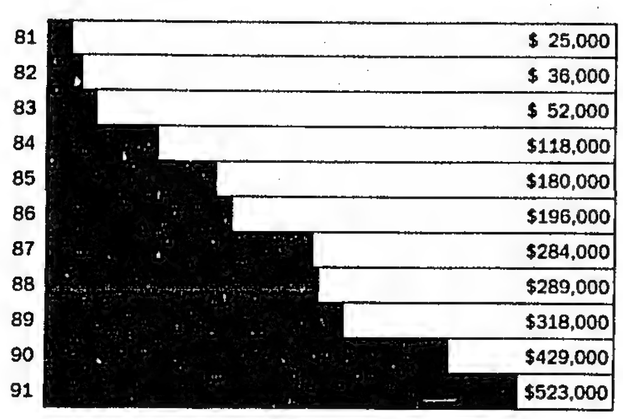
(th usands)

	1991	1990	1989
Cash Flows from Operating Activities			
Net Income	**$403,302**	$398,438	$346,926
Impact of Other Operating Activities on Cash Flows:			
Depreciation and Amortization	**222,695**	184,385	164,713
Change in Assets and Liabilities:			
Accounts Receivable	**(65,536)**	(73,791)	(65,742)
Inventories	**(144,884)**	(101,832)	(101,580)
Accounts Payable and Accrued Expenses	**8,792**	38,964	59,764
Income Taxes	**30,371**	(38,254)	(14,212)
Other Assets and Liabilities	**20,897**	16,561	14,370
Net Cash Provided by Operating Activities	**475,637**	424,471	404,239
Investing Activities			
Capital Expenditures	**(523,082)**	(428,844)	(318,427)
Subsidiaries (Acquired) Disposed	**(18,750)**	(10,987)	34,098
Other	**—**	(9,126)	11,505
Cash Used for Investing Activities	**(541,832)**	(448,957)	(272,824)
Financing Activities			
Net Borrowings (Repayments) of Long-Term Debt	**173,312**	(205,228)	(322,278)
Proceeds from Issuance of Unsecured Notes	**—**	300,000	250,000
Dividends Paid	**(101,141)**	(86,414)	(57,470)
Stock Options and Other	**14,579**	7,574	4,791
Net Cash Provided (Used) by Financing Activities	**86,750**	15,932	(124,957)
Net Increase (Decrease) in Cash and Equivalents	**20,555**	(8,554)	6,458
Cash and Equivalents, Beginning of Year	**13,180**	21,734	15,276
Cash and Equivalents, End of Year	**$ 33,735**	$ 13,180	$ 21,734

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Capital Investment

(in thousands)





Management's Discussion and Analysis

Impact of Inflation

The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on the results of operations and financial condition have been minor.

Adoption of Accounting Standards

The Financial Accounting Standards Board (FASB) periodically issues Statements of Financial Accounting Standards (SFAS), some of which require implementation by a date falling within or after the close of the Company's fiscal year.

In December 1990, the FASB issued SFAS No. 106, "Employer's Accounting for Post-Retirement Benefits Other Than Pensions." This SFAS essentially requires, beginning in 1993, the accrual method of accounting for these benefits during the pre-retirement term of employment rather than the cash basis of accounting used by most employers. Under the Company's present benefit structure, this pronouncement will have no impact on its financial statements.

Accounting for Income Taxes

In February 1992, the FASB issued SFAS Statement No. 109, "Accounting for Income Taxes," which requires the adoption of new tax accounting and disclosure rules by 1993.

Based on existing conditions, the Company will adopt the new standard in 1993 and will not elect to restate prior periods. The impact is anticipated to be immaterial.



Consolidated Statements of Shareholders' Equity

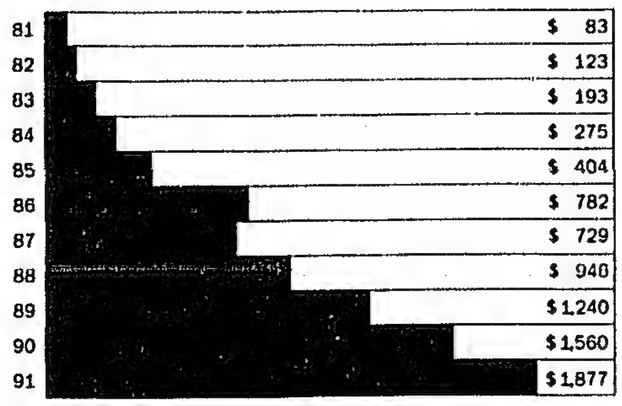
(thousands)

	Common Stock	
	Shares Outstanding	Par Value
Balance, January 28, 1989	**179,272**	**$ 94,863**
Net Income	—	—
Cash Dividends	—	—
Exercise of Stock Options & Other	571	—
Balance, February 3, 1990	**179,843**	**94,863**
Net Income	—	—
Cash Dividends	—	—
Exercise of Stock Options & Other	738	—
Two-for-One Stock Split	180,017	94,864
Balance, February 2, 1991	**360,598**	**189,727**
Net Income	—	—
Cash Dividends	—	—
Exercise of Stock Options & Other	1,188	—
Balance, February 1, 1992	**361,786**	**$189,727**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Shareholders' Equity

(in millions)
CAGR 37%



Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
$203,693	**$ 879,386**	**$(231,735)**	**$ 946,207**
—	346,926	—	346,926
—	(57,470)	—	(57,470)
(7,461)	—	12,252	4,791
196,232	**1,168,842**	**(219,483)**	**1,240,454**
—	398,438	—	398,438
—	(86,414)	—	(86,414)
(2,131)	—	9,705	7,574
(94,864)	—	—	—
99,237	**1,480,866**	**(209,778)**	**1,560,052**
—	403,302	—	403,302
—	(101,141)	—	(101,141)
1,692	—	12,887	14,579
$100,929	**$1,783,027**	**$(196,891)**	**$1,876,792**



Dividends Per Share



Notes To Consolidated Financial Statements
(thousands except per share amounts)

1 Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of The Limited, Inc. (the Company) and all significant subsidiaries which are more than 50 percent owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures) which are more than 20 percent owned are accounted for on the equity method.

Fiscal Year
The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. Accordingly, the results for fiscal year 1991 and 1990 represent the 52-week periods ended February 1, 1992 and February 2, 1991. Results for 1989 represent the 53-week period ended February 3, 1990.

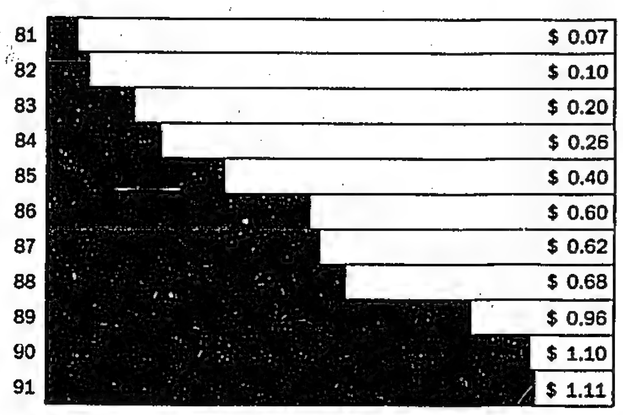
Cash and Equivalents
Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

Inventories
Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

Property and Equipment
Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10–30 years for buildings and improvements and 3–10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend service lives are capitalized.

Interest Rate Swap Agreements
The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement.

Net Income Per Share
CAGR 32%



Financial Condition

The Company's balance sheet at February 1, 1992 provides evidence of financial strength and stability. Cash provided from operating activities increased 12% over 1990, the current ratio exceeded 3.0, and net working capital was in excess of $1 billion. Capital expenditures increased $94 million over 1990 principally for new and remodeled stores. Lastly, the Company's debt-to-equity ratio was only 38% at the end of 1991. A more detailed discussion of liquidity, capital resources, and capital requirements follows:

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under a committed long-term credit agreement, and the Company's capital structure continue to provide the resources to support projected growth including seasonal operating requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (in thousands):

	1991	1990	1989
Working capital	**$1,084,205**	$ 884,004	$ 685,524
Capitalization:			
Long-term debt	**$ 713,758**	$ 540,446	$ 445,674
Deferred income taxes	**267,315**	254,304	214,858
Shareholders' equity	**1,876,792**	1,560,052	1,240,454
Total capitalization	**$2,857,865**	$2,354,802	$1,900,986
Additional amounts available under a committed long-term credit agreement	**$ 536,000**	$ 760,000	$ 604,000

The Company considers the following to be several measures of liquidity and capital resources:

	1991	1990	1989
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	**38%**	35%	36%
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	**25%**	23%	23%
Interest coverage ratio (income before interest expense, depreciation, amortization, and taxes divided by interest expense)	**15x**	16x	14x
Cash flow to capital investment (net cash provided from operating activities divided by additions to property and equipment)	**91%**	99%	127%

Net cash provided from operating activities totalling $475.6 million, $424.5 million, and $404.2 million for 1991, 1990, and 1989 continues to serve as the Company's primary source of liquidity. Net earnings and depreciation and amortization for 1991 provided $43.2 million of incremental cash flow over 1990. In addition, the timing of tax payments in 1991 compared to 1990 provided an additional $30.4 million of cash flow. These increases were offset by an increase in credit card receivables of $65.5 million and an inventory increase of $144.9 million, principally as a result of the 3.3 million selling square feet added during 1991.

Net earnings plus depreciation and amortization for 1990 generated $71.2 million of additional cash flow over 1989. However, this increase was more than offset by an increase in credit card receivables and the increase in inventory required to support the addition of 2.6 million selling square feet.

At February 1, 1992, the Company had available $536 million under a $900 million long-term credit agreement and has the ability to offer up to $300 million of debt securities and warrants to purchase debt securities under a shelf registration statement.

Capital Expenditures

Capital expenditures amounted to $523.1 million, $428.8 million, and $318.4 million for 1991, 1990, and 1989 of which $311.6 million, $302.8 million, and $262.0 million was for new stores and remodeling and expanding existing stores. Approximately $42 million was expended in 1991 for the completion of the Reynoldsburg, Ohio distribution center and office complex currently occupied by Victoria's Secret Stores, Victoria's Secret Catalogue, and Lane Bryant. In addition, approximately $24 million was expended in 1991 for the construction of a fulfillment center and office facility in Columbus, Ohio, for Victoria's Secret Catalogue, scheduled for completion in the Fall of 1992.

The Company's investment activities for 1991 and 1990 included $18.75 million and $11 million for the acquisition of an additional 15% in Gryphon Development, L.P. and the acquisition of Penhaligon's.

The Company anticipates spending $575–$600 million for capital expenditures in 1992, of which $400–$440 million will be for new stores, the remodeling of existing stores, and fixturing and related improvements for the retail businesses. An additional $150–$160 million will be expended in 1992 for the construction and acquisition of distribution, fulfillment, and office facilities.

The Company has announced its intention to add approximately 3.3 million selling square feet in 1992, which will represent a 16% increase over year-end 1991. It is anticipated the increase will result from the net addition of approximately 375 new stores and the remodeling of approximately 350 stores. A summary of stores and selling square feet for 1990, 1991, and projected 1992 follows:

		Goal–1992	1991	1990
Limited Stores	# of Stores	781	773	778
	Total Selling Sq. Ft.	4,351,000	3,927,000	3,526,000
Lerner New York	# of Stores	955	910	858
	Total Selling Sq. Ft.	7,185,000	6,515,000	5,721,000
Express	# of Stores	671	611	549
	Total Selling Sq. Ft.	3,629,000	2,926,000	2,151,000
Lane Bryant	# of Stores	829	786	752
	Total Selling Sq. Ft.	3,873,000	3,522,000	3,295,000
Victoria's Secret Stores	# of Stores	557	507	447
	Total Selling Sq. Ft.	2,073,000	1,666,000	1,286,000
Structure	# of Stores	360	240	152
	Total Selling Sq. Ft.	1,191,000	676,000	355,000
Limited Too	# of Stores	187	172	108
	Total Selling Sq. Ft.	571,000	514,000	268,000
Abercrombie & Fitch	# of Stores	42	36	27
	Total Selling Sq. Ft.	350,000	287,000	192,000
Henri Bendel	# of Stores	4	4	4
	Total Selling Sq. Ft.	93,000	93,000	72,000
Cacique	# of Stores	74	54	51
	Total Selling Sq. Ft.	195,000	127,000	115,000
Bath & Body Works	# of Stores	105	95	27
	Total Selling Sq. Ft.	111,000	99,000	24,000
Penhaligon's	# of Stores	6	6	7
	Total Selling Sq. Ft.	3,000	3,000	3,000
Total Retail Divisions	# of Stores	4,571	4,194	3,760
	Total Selling Sq. Ft.	23,625,000	20,355,000	17,008,000
	Increase in Selling Sq. Ft.	3,270,000	3,347,000	2,634,000

Provision for Income Taxes

The provision for income taxes is based on pre-tax income as reported for financial statement purposes, and includes a deferred provision for the tax effect of timing differences between the financial and tax reporting of certain revenue and expense items. Deferred Federal income taxes, net of applicable foreign tax credits, are provided on the undistributed earnings of foreign subsidiaries.

In February, 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes," which superseded SFAS No. 96, "Accounting for Income Taxes." SFAS No. 109 requires the Company to adopt a new approach to accounting for deferred taxes by fiscal year 1993. A more detailed discussion of this matter is included under the heading "Accounting for Income Taxes" in Management's Discussion and Analysis, on page 71 of this Annual Report.

Shareholders' Equity

Five hundred million shares of $.50 par value common stock are authorized, of which 361.8 million and 360.6 million were outstanding, net of 17.7 million shares and 18.9 million shares held in treasury at February 1, 1992 and February 2, 1991. Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

Net Income Per Share

Net income per share is computed based upon the weighted average number of outstanding common shares, including the effect of stock options. There were 363.6 million, 362.0 million, and 361.3 million weighted average outstanding shares for 1991, 1990, and 1989.



2 Accounts Receivable

Accounts receivable consisted of:

	1991	1990
Deferred payment accounts	**$682,724**	$610,286
Trade and other	**97,786**	84,177
Allowance for uncollectible accounts	**(24,678)**	(24,167)
	$735,832	$670,296

Finance charge revenue on the deferred payment accounts amounted to $131.5 million, $122.6 million, and $101.9 million in 1991, 1990, and 1989, and the provision for uncollectible accounts amounted to $50.6 million, $46.7 million, and $36.5 million in 1991, 1990, and 1989. These amounts are classified as components of the cost to administer the deferred payment program and are included in general, administrative, and store operating expenses.

3 Property and Equipment

Property and equipment, at cost, consisted of:

	1991	1990
Land, buildings, and improvements	**$ 358,501**	$ 237,466
Furniture, fixtures, and equipment	**1,225,293**	982,397
Leaseholds and improvements	**716,974**	643,177
Construction in progress	**154,966**	185,019
	2,455,734	2,048,059
Less–Accumulated depreciation and amortization	**798,650**	652,986
Property and equipment, net	**$1,657,084**	$1,395,073

4 Leased Facilities and Commitments

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based upon a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs, and certain other expenses.

A summary of rent expense for 1991, 1990, and 1989 follows:

	1991	1990	1989
Store rent:			
Fixed minimum	**$380,291**	$300,704	$248,035
Contingent	**22,555**	21,428	27,328
Total store rent	**402,846**	322,132	275,363
Equipment & other	**38,734**	32,602	27,081
Total rent expense	**$441,580**	$354,734	$302,444

At February 1, 1992, the Company was committed to non-cancelable leases with remaining terms of one to forty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years. Accrued rent expense was $46.1 million and $39.6 million at February 1, 1992 and February 2, 1991.

A summary of minimum rent commitments under noncancelable leases follows:

1992	$ 453,000
1993	443,000
1994	429,000
1995	413,000
1996	394,000
Thereafter	$2,320,000

5 Long-Term Debt

Long-term debt consisted of:

	1991	1990
Commercial paper	$363,758	$140,446
9 ¼% Notes due February, 2001	150,000	150,000
8 ⅞% Notes due August, 1999	100,000	100,000
8.61% Notes due December, 1993	100,000	100,000
Floating Rate Note due December, 1993	—	50,000
	$713,758	$540,446

The Company maintains a $900 million revolving credit agreement (the "Agreement"). Upon expiration of the revolving term, presently August 31, 1993, or any extensions thereof, the amount outstanding will be repaid in eight equal semi-annual installments. The revolving term of the Agreement may be extended annually unless the lenders provide advance notification, approximately six months prior to expiration, not to extend. The Agreement has several borrowing options including interest rates which are based on either the lenders' "Base Rate," as defined, LIBOR, CD based options, or at a rate submitted under a bidding process. Commitment and facility fees for the Agreement approximate 1/8% of the total commitment. This Agreement and certain of the other debt agreements place restrictions on the amount of the Company's working capital, debt, and net worth.

The Agreement supports the commercial paper program which funds working capital and other general corporate requirements. No amounts were outstanding under the Agreement at February 1, 1992. Commercial paper will be classified as long-term so long as the remaining term of the Agreement exceeds one year and any unused commitments thereunder equal or exceed the amount of commercial paper outstanding.



Effective January 31, 1991, the Company issued $150 million of 9 ⅛% notes due February 1, 2001. The proceeds were used to replace commercial paper borrowings. In December 1990, the Company issued $100 million of 8.61% notes (which are due in December, 1993) and a $50 million floating rate term note. The $50 million term note was repaid at par in December, 1991. All long-term debt outstanding at February 1, 1992 and February 2, 1991 is unsecured.

In November, 1991, the Company filed a shelf registration statement, increasing to a total of $300 million the amount of unsecured debt securities and warrants to purchase debt securities that the Company is permitted to issue.

The Company periodically enters into interest rate swap agreements with the intent to manage interest rate sensitivity of the debt portfolio. At February 1, 1992, the Company had two interest rate swap agreements outstanding, each having a $100 million notional principal amount. One agreement effectively changed the Company's interest rate exposure on $100 million of variable rate debt to a fixed rate of 8.42% through July, 2000. The counterparty to the swap agreement has an option to cancel the remaining term of the agreement in July, 1992. The second agreement effectively changed the interest rate on $100 million of fixed rate debt to a variable rate through December, 1993 (4.19% at February 1, 1992).

Interest paid approximated $58.2 million, $59.6 million, and $49.9 million in 1991, 1990, and 1989.

6 Income Taxes

The provision for income taxes consisted of:

	1991	1990	1989
Currently payable:			
Federal	$173,700	$208,700	$176,700
State	27,000	31,900	26,100
Foreign	4,500	7,600	7,100
	205,200	248,200	209,900
Deferred:			
Federal	41,800	(1,300)	7,200
State	10,000	8,100	9,900
	51,800	6,800	17,100
Total provision	$257,000	$255,000	$227,000

The foreign component of pre-tax income, arising principally from overseas sourcing operations, was $44.5 million, $72.9 million, and $56.8 million in 1991, 1990, and 1989.



A reconciliation between the statutory Federal income tax rate and the effective income tax rate follows:

	1991	1990	1989
Federal income tax rate	**34.0%**	34.0%	34.0%
State income tax, net of Federal income tax effect	**3.7**	4.0	4.1
Other items, net	**1.2**	1.0	1.5
	38.9%	39.0%	39.6%

The components of the deferred tax provision follow:

	1991	1990	1989
Excess of tax over book depreciation	**$ 17,200**	$ 4,900	$ 20,100
Deferred profit on receivables	**—**	(24,200)	(26,600)
Other items, net	**34,600**	26,100	23,600
	$ 51,800	$ 6,800	$ 17,100

The Tax Reform Act of 1986 eliminated the use of the installment method for recognizing income on sales from the Company's credit card operations and required that deferred income on sales at January 31, 1987 be included in taxable income over a four-year period beginning in 1987. At February 1, 1992, all income taxes relating to installment sales have been paid.

Income tax payments approximated $212.4 million, $253.8 million, and $223.6 million for 1991, 1990, and 1989.

7 Stock Options

Stock options are granted to officers and key employees based upon fair market value at the date of grant. Option activity for 1989, 1990, and 1991 follows:

	Number of Shares	Weighted Average Option Price Per Share
Outstanding Options, January 28, 1989	4,598,000	$ 7.42
Activity during 1989:		
Granted	1,730,000	14.92
Exercised	(1,206,000)	4.92
Cancelled	(154,000)	10.92
Outstanding Options, February 3, 1990	4,968,000	$10.52
Activity during 1990:		
Granted	2,083,000	20.03
Exercised	(927,000)	6.81
Cancelled	(328,000)	15.26
Outstanding Options, February 2, 1991	5,796,000	$14.26
Activity during 1991:		
Granted	707,000	26.56
Exercised	(1,187,000)	10.12
Cancelled	(194,000)	18.05
Outstanding Options, February 1, 1992	5,122,000	$16.49

The Company had approximately 8.5 million shares available for grant at February 1, 1992 as compared to 9.0 million shares and 10.7 million shares available at February 2, 1991 and February 3, 1990. Approximately 5.1 million shares of the Company's common stock were reserved for outstanding options, of which 2.3 million were exercisable as of February 1, 1992.

8 Finance Subsidiary

World Financial Network National Bank, a wholly-owned consolidated finance subsidiary, offers proprietary credit to customers of certain retail affiliates of the Company. Condensed financial information of the finance subsidiary follows:

	February 1, 1992	February 2, 1991
Assets		
Credit card receivables, net of allowance for doubtful accounts	$638,000	$586,000
Other assets, net	15,000	14,700
	$653,000	$600,700
Liabilities and Investment		
Payable to wholly-owned subsidiaries and affiliates of The Limited, Inc.	$ 41,600	$ 37,700
Investment of The Limited, Inc.:		
Subordinated debt	570,700	526,300
Equity investment	40,700	36,700
	$653,000	$600,700

	Year Ended February 1, 1992	Year Ended February 2, 1991
Income before interest expense and taxes	$ 59,500	$ 56,600
Interest expense	38,000	39,100
Pre-tax income	$ 21,500	$ 17,500

Holders of credit cards issued by the finance subsidiary are located throughout the United States, and have various available lines of credit which are subject to change by the finance subsidiary, and which are used to purchase merchandise offered for sale by affiliates.

9 Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 1991 and 1990 follow:

1991 Quarter	First	Second	Third	Fourth
Net Sales	$1,284,482	$1,375,185	$1,433,412	$2,056,139
Gross Income	342,649	389,523	399,882	661,489
Net Income	50,860	79,225	72,872	200,345
Net Income Per Share	$ .14	$ .22	$ .20	$ .55

1990 Quarter				
Net Sales	$1,107,345	$1,154,562	$1,247,893	$1,743,709
Gross Income	325,724	352,018	379,050	573,647
Net Income	62,315	79,025	84,917	172,181
Net Income Per Share	$ .17	$ .22	$ .23	$ .48

Market Price and Dividend Information

	Market Price		Cash Dividend Per Share
	High	Low	
Fiscal Year 1991			
4th Quarter	$30⅞	$23⅛	$.07
3rd Quarter	31⅞	21¼	.07
2nd Quarter	31	26½	.07
1st Quarter	29⅞	22¼	.07
Fiscal Year 1990			
4th Quarter	$22¼	$13⅝	$.06
3rd Quarter	19⅛	11¼	.06
2nd Quarter	25⅛	17½	.06
1st Quarter	21⅞	16½	.06

The Company's common stock is traded on the New York Stock Exchange ("LTD"), the London Stock Exchange, and the Tokyo Stock Exchange. On February 1, 1992, there were 41,700 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company sponsored retirement plans, and others holding shares in broker accounts under street name, the Company estimates the shareholder base at approximately 100,000.



Report of Independent Public Accountants

To the Board of Directors
and Shareholders of
The Limited, Inc.

We have audited the accompanying consolidated balance sheets of The Limited, Inc. and subsidiaries as of February 1, 1992 and February 2, 1991, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 1, 1992 (appearing on pages 64, 66, 68, 72, 73, and 74 through 80). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and subsidiaries as of February 1, 1992 and February 2, 1991 and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended February 1, 1992, in conformity with generally accepted accounting principles.

Coopers & Lybrand
Columbus, Ohio
February 17, 1992



Directors

Leslie H. Wexner (a) (c)
Chairman

Thomas G. Hopkins
Vice Chairman

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Bella Wexner
Secretary

Martin Trust
President
Mast Industries, Inc.
Andover, Massachusetts

E. Gordon Gee (a)
President
The Ohio State University

David T. Kollat
Chairman
22 inc.,
a management consulting
and marketing research firm
Worthington, Ohio

Claudine B. Malone (b)
Management Consultant
McLean, Virginia

John K. Pfahl (b)
President
John K. Pfahl, Inc.,
a management consulting firm
Columbus, Ohio

Donald B. Shackelford (a) (b)
Chairman of the Board
State Savings Bank
Columbus, Ohio

Allan R. Tessler (b) (c)
Chairman
and Chief Executive Officer
International Financial Group
New York, New York

Raymond Zimmerman
Chairman of the Board
and President
Service Merchandise Co., Inc.
Brentwood, Tennessee

(a) Member of Executive Compensation and Stock Option Committee
(b) Member of Audit Committee
(c) Member of Nominating Committee

Executive Officers

Leslie H. Wexner
Chairman

Thomas G. Hopkins
Vice Chairman

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Bella Wexner
Secretary

Wade H. Buff
Vice President
Internal Audit

Alfred S. Dietzel
Vice President
Financial and Public
Relations

Samuel Fried
Vice President
General Counsel

William K. Gerber
Vice President
Corporate Controller

Timothy B. Lyons
Vice President
Taxes

Margaret T. Monaco
Vice President
Treasurer

Bruce A. Soll
Vice President

Corporate Information

Corporate Offices
Two Limited Parkway
PO Box 16000
Columbus, Ohio 43216
614-479-7000

Annual Meeting
The Annual Meeting of Shareholders
is scheduled for 9:00 AM
Monday, May 18, 1992
at the Victoria's Secret Catalogue
Headquarters
3425 Stelzer Road
Columbus, Ohio 43219

Date Founded 1963
Number of Associates 83,800
Approximate Shareholder Base 100,000

Overseas Offices
London, England
Paris, France
Kowloon, Hong Kong
Tel Aviv, Israel
Florence, Italy
Milan, Italy
Seoul, Korea
Taipei, Taiwan

10-K Report
A copy of Form 10-K is available
without charge upon written request to
Alfred S. Dietzel, Vice President
The Limited, Inc.
PO Box 16000
Columbus, Ohio 43216

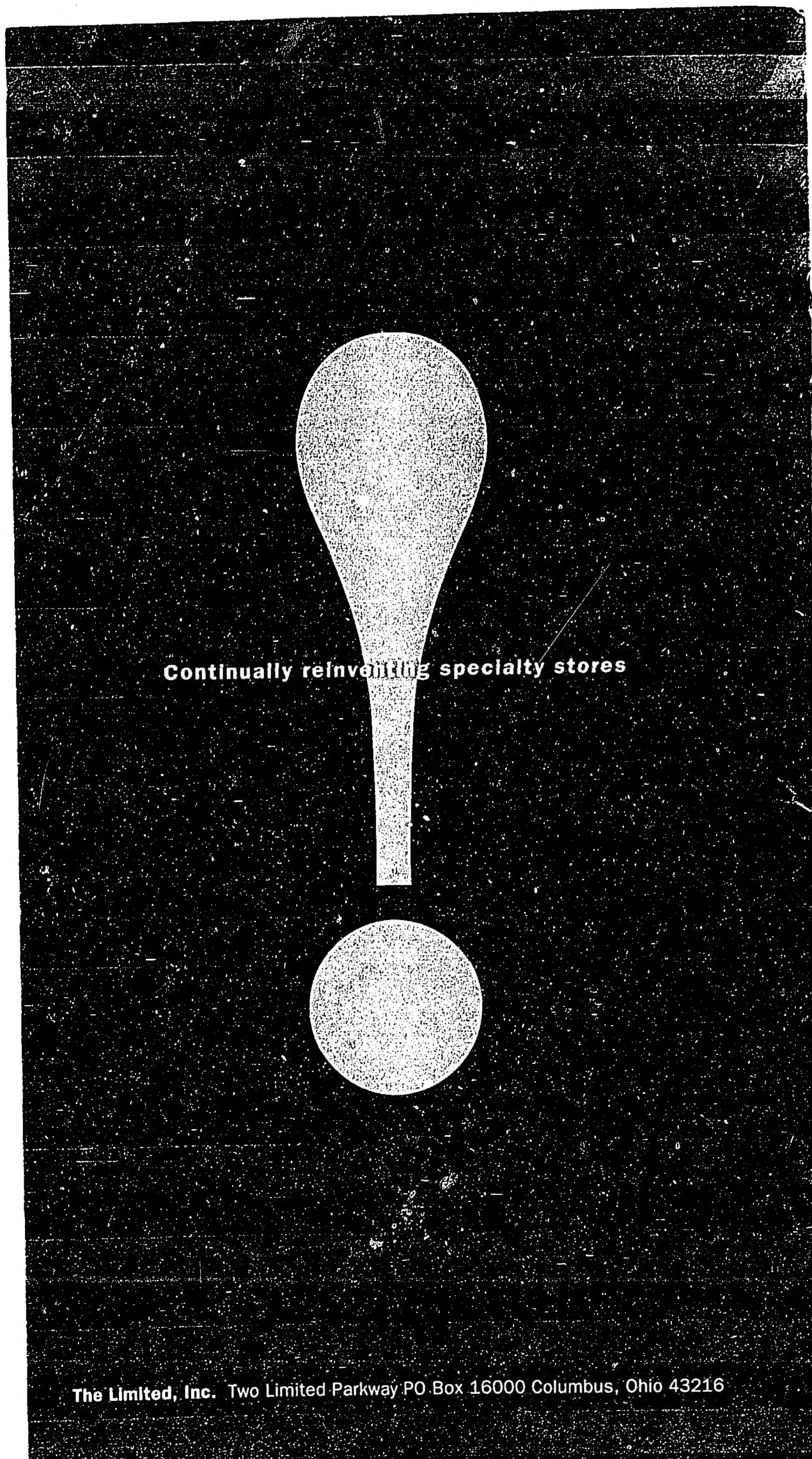
Stock Transfer Agent,
Registrar and Dividend Agent
First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007
212-587-6515

Stock Exchange Listings
New York Stock Exchange
(Trading Symbol "LTD")
London Stock Exchange
Tokyo Stock Exchange

Independent Public Accountants
Coopers & Lybrand
Columbus, Ohio

Design: Frankfurt Gips Balkind/NY-LA Copy Consultant: Robert Minkoff Illustration: Anders Wenngren Printing: Heritage Press





The Limited, Inc. Two Limited Parkway PO Box 16000 Columbus, Ohio 43216

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